

CITY OF ZACHARY, LOUISIANA

ANNUAL FINANCIAL REPORT

JUNE 30, 2014

**CITY OF ZACHARY, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
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JUNE 30, 2014**

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BAXLEY AND ASSOCIATES, LLC

P. O. Box 482
58225 Belleview Drive
Plaquemine, Louisiana 70764
Phone (225) 687-6630 Fax (225) 687-0365

Hugh F. Baxley, CPA/CGMA/CVA
Margaret A. Pritchard, CPA/CGMA

Staci H. Joffrion, CPA/CGMA

The Honorable Mayor David Amrhein
and Members of the Council
City of Zachary, Louisiana

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit (the City Court of Zachary), each major fund, and the aggregate remaining fund information of the City of Zachary, Louisiana as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we obtained sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Zachary, Louisiana, as of June 30, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (continued)

Emphasis of Matter

For the fiscal year ended June 30, 2015, Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, will be implemented. The implementation of this Standard may result in a negative net position on the Statement of Net Position.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 53 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Zachary, Louisiana's basic financial statements. The combining and individual nonmajor fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The combining and individual non-major fund financial statements, the schedule of expenditures of federal awards, and other supplemental information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2014, on our consideration of the City of Zachary's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Zachary, Louisiana's internal control over financial reporting and compliance.

Baxley & Associates, LLC

Zachary, Louisiana
December 4, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

This section of the City of Zachary, Louisiana's (the City) annual financial report presents our discussion and analysis of the City's financial performance during the twelve months ended June 30, 2014. Please read it in conjunction with the City's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The City's combined net position as of June 30, 2014 and June 30, 2013 were \$42,600,714 and \$38,321,053 respectively. Net position of our governmental activities were \$25,359,626 and \$23,290,738 respectively while those of our business-type activities were \$17,241,088 and \$15,030,315 respectively.
- The general fund ended the current fiscal year with an \$8,187,336 fund balance of which \$24,884 is non-spendable and zero dollars applies to inter-fund payables. In the prior fiscal year, the general fund ended the year with a \$6,730,674 fund balance of which \$23,673 is non-spendable and \$95,734 was reserved for the payment of interfund payables.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents supplemental statements and schedules. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide long-term and short-term information about the City's overall financial status and economic condition.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as water and sewer systems.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with more detailed schedules providing further insight into the revenue and expenses of the City.

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-1 Major Features of City's Government and Fund Financial Statements				
	Fund Statements			
	Government-wide Statements	Government Funds	Proprietary Funds	
Scope	Entire City government	The activities of the City that are not proprietary or fiduciary, such as police, fire, and streets	Activities the City operates similar to private businesses: the water, sewer and gas systems	
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expense, and changes in net position • Statement of cash flows 	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when good or services have been received and payment is due during the year or soon thereafter	All revenue and expenses during year, regardless of when cash is received or paid	

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position – the difference between the City's assets and liabilities – is one way to measure the City's financial health, or position.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's property tax base and the condition of the City's roads and utilities infrastructure.

The government-wide financial statements of the City are divided into two categories:

- Government activities – Most of the City's basic services are included here, such as the police, fire, public works, recreation department, and general administration. Sales taxes, property taxes, intergovernmental activities and franchise fees finance most of these activities. Also included in this section is the debt service fund.
- Business-type activities – The City charges fees to customers to help it cover the costs of certain services it provides. The City's water, gas and sewer systems are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

The City has two kinds of funds:

- Governmental funds – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the government funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page which explains the relationship (or difference) between them.
- Proprietary funds – Services for which the City charges customers a fee are generally reported in proprietary fund. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information such as cash flows.

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Condensed Statement of Net Position:

	Table A-1	
	City's Net Position	
	Government Activities	Government Activities
	2014	2013
Current and other assets	20,618,538	11,536,453
Capital assets	22,210,575	18,090,365
Total assets	42,829,113	29,626,818
Current liabilities	2,417,778	1,661,535
Long term liabilities	15,051,709	4,674,545
Total liabilities	17,469,487	6,336,080
Net assets:		
Net invested in capital assets	12,210,575	18,090,365
Restricted	826,115	
Unrestricted	12,322,936	5,200,373
Total net position	25,359,626	23,290,738

	Table A-1	
	City's Net Position	
	Business-Type Activities	Business-Type Activities
	2014	2013
Current and other assets	6,034,356	4,929,773
Capital assets	24,336,677	18,582,856
Total assets	30,371,033	23,512,629
Current liabilities	2,951,200	2,950,375
Long term liabilities	10,178,746	5,531,939
Total liabilities	13,129,945	8,482,314
Net assets:		
Invested in capital assets, net of related debt	14,051,813	16,857,601
Restricted funds	1,259,281	305,313
Unrestricted (deficit)	1,929,994	(2,132,599)
Total net position	17,241,088	15,030,315

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (continued)

Condensed Statements of Activities

The City's total change in net position was, \$4,354,704; \$2,068,888 from governmental activities and \$2,285,816 from business-type activities. The chart below only reflects the changes from the financial statement whereas the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances reflects the total change in net position. The City of Zachary continues to experience an overall positive change in net position. The City is into its' third year in a major sewer rehab program using 9.3 million as well as an additional 5 million in bond revenue received at .95% interest from DEQ. The combined bond dollars will allow the City to repair and replace the majority of its' old sewer lines. This combined with the work underway by City Parish will allow the City to be more than adequately handle the City's sewer needs for the foreseeable future. Table A-2 on the next two pages shows the composition of revenues and summarizes the expenses by function or service area.

	Table A-2	
	Changes in City's Net Position	
	Government Activities	Government Activities
	2014	2013
Revenues		
Charges for services	1,318,827	1,237,572
Fines	187,681	218,451
Grants and contributions	1,147,745	1,471,998
General revenues:		
Taxes	9,588,798	9,289,654
Commissions	1,402,720	1,246,145
Licenses and permits	517,114	586,961
Miscellaneous/Interest Income	1,060,016	822,542
Total Revenues	15,222,901	14,873,323
Expenses		
General Government	4,859,311	4,969,174
Public Safety	6,162,766	6,256,651
Streets	879,094	959,241
Sanitation	1,032,332	988,544
Debt Service	290,515	0
Total Expenses	13,224,018	13,173,610
Transfers/Capital Contributions	70,000	110,000
Increase in net position	2,068,888	1,809,713

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (continued)

Condensed Statements of Activities (continued)

	Table A-2	
	Changes in City's Net Assets	
	Business-Type Activities	Business-Type Activities
	2014	2013
Revenues		
Charges for services	8,020,139	6,485,708
General revenues:		
Miscellaneous/Interest Income	225,215	204,205
Total Revenues	8,245,354	6,689,913
Expenses		
Water	989,170	1,035,471
Gas	1,997,097	1,588,963
Sewer	867,260	847,319
Gen./Admin./Warehouse/Mech.	942,070	546,897
Depreciation	1,145,152	1,103,038
Total Expenses	5,940,749	5,121,688
Non-operating Revenues (Expenses)	(18,789)	(13,199)
Increase (Decrease) in net position	2,285,816	1,555,026

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$19,306,125 consisting of \$8,187,336 in the general fund, \$10,292,674 in the special revenue fund and \$826,115 in the debt service fund. Of the above balances \$24,884 is restricted in the general fund, \$10,292,674 in the special revenue fund and \$826,115 in the debt service fund. The special revenue fund and debt service fund restrictions related to the bonds issued for street projects.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Council may approve amendments to the City's budget. These budget amendments result from items involving accounting changes, increased costs and revenues to the City. The City made budgetary amendments for this fiscal year. The changes to the City's budget affected both revenues and expenses. Sales tax revenues increased by 3.15% over the previous year while ad valorem taxes increased by 4.48%. There were both increases and decreases in various income and expense departments but the overall level of budget income to expense had a positive effect on fund balance. The Administration continues to budget conservatively as a result of the uncertainty in the overall economy. As noted previously, costs beyond the City's control continue to increase, i.e. retirement and insurance.

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

CAPITAL ASSETS

At the end of June 2014, the City had invested \$46,547,252 in a broad range of capital assets, including police and fire equipment, streets, buildings, vehicles, and water and sewer systems. See Table A-3. This amount represents a net increase (including additions and deductions) of \$9,949,074 over the previous year. This is as the result of the sewer rehab work and two main road projects that were undertaken in the current budget year. The two road projects, once completed, will total over seven (7) million dollars. Both projects will have a very positive impact on traffic flow in the City with the Montegudo Boulevard providing the City the opportunity to offset the upcoming DOTD road widening on Highway 64. This widening would have potentially affected a critical sales tax generating area of the City.

Table A-3 City's Capital Assets					
	Government Activities			Business Activities	
	2014	2013		2014	2013
Land	2,354,222	2,354,222		47,426	47,426
Construction-in-progress	4,749,614	682,223		2,563,955	2,182,283
Building/Infrastructure	3,778,560	3,778,560		36,354,301	29,782,955
Road Infrastructure	10,084,688	10,084,687		-	-
Equipment	9,272,572	8,352,048		2,130,236	2,109,238
Less: Accumulated Depreciation	(8,029,081)	(7,161,376)		(16,759,241)	(15,614,089)
Total	22,210,575	18,090,365		24,336,677	18,507,813

The City has continued to progress with the sewer rehab system and with road work that has led to the increase in the capital assets of the City. This will continue into the following year as well with the sewer rehab work coming to a close in the upcoming budget year. The City has begun construction on Mount Pleasant Boulevard which will total over eight (8) million when completed. A CEA has been signed with City Parish which will allow the City to recoup 7.5 million of this expense. The remaining sewer rehab will total close to 5 million in 2014-15. Various fire and police equipment and vehicles have also been purchased to continue to provide those services for the community.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's major sources of revenue for the general fund are sales taxes, utility franchise fees, licenses and permits, and fines. Sales taxes continue to be the largest single contributor to the finances of the City. Taxes increased from 2012 to 2013 by 3.15%. The Administration does expect to see continued increases in the sales tax revenues. These increases are expected to remain in the 2% - 3% range. The City continues to work with the Economic Development arm of the Chamber to develop site ready locations for industry. This will enhance the City's ability to attract those businesses to the area. Americana continues to development on the west side of the City but at a slower pace than previously expected. This is more a result of national trend than how it relates to the local community although the expectations continue to be high.

One area of concern to the City is the continued increase in employee related benefits that is beyond the City's control, i.e. retirement and health insurance costs. The Administration was required to change insurance in this last year due to the previous carrier, Risk Management no longer offering insurance programs due to the Affordable Care Act. The City was able to improve its' position by offering three different plans with a low – medium – high cost range. This allowed the employees the ability to choose the plan that best fit their individual needs and ultimately reduced the City's cost for providing insurance by a small percentage. The City will still need to make a decision as to what it will offer new employees in the future as it relates to health insurance upon retirement. The City's OPEB (Other Post Employee Benefits) continues to rise and with new Federal regulations will have dramatic effect on the City's financials in 2015. This policy as well as others that relates to benefits will present a challenge to all municipalities in the future which necessitates the planning needed to manage these changes, one which this Administration is undertaking.

The City will begin to finish the work on sewer and roads in the upcoming year that has been made possible by the issuance of the bonds in both the Utility and Special Revenue Funds. With the rates that are in place for utility and the revenue from sales tax for streets the City is well positioned to both pay the bonds and still have revenue to continue to do yearly rehabs and fund daily operating expenditures. Both of these will be accomplished without placing too much of a burden on the Citizens of Zachary. The City has already begun the process with our State and Federal representatives to obtain funding for other large projects such as a new water tower and gas regulation station and pipelines which will continue to allow the City to meet the future needs of the Community as it continues to grow. The City continues to work closely with the Chamber and the Zachary Community School Board as well as leaders in the community to further economic development which is needed to provide the revenue for all concerned.

The Administration has and will closely work with all departments and Council to effectively and efficiently administer the funds received in accordance with all Federal and State laws. The fund balance of the City remains strong and we are confident that they will be so.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with an overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions or requests for additional information should be directed to the Director of Administration, P.O. Box 310, Zachary, LA 70791, (225) 654-0287.

BASIC FINANCIAL STATEMENTS

CITY OF ZACHARY, LOUISIANA
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 17,982,340	\$ 1,189,936	\$ 19,172,276	\$ 141,310
Certificates of deposit	-	-	-	-
Account receivable	1,375,650	1,270,802	2,646,452	-
Accrued interest receivable	-	-	-	-
Other receivables	1,235,664	993,167	2,228,831	-
Prepaid expenses	24,884	30,589	55,473	-
Inventory	-	160,142	160,142	-
Restricted Assets:				
Customer deposits:				
Cash and cash equivalents	-	606,439	606,439	-
Investments	-	100,000	100,000	-
Utility revenue bond:				
Cash and cash equivalents	-	1,683,281	1,683,281	-
Capital assets:				
Land and construction in progress	7,103,836	2,611,381	9,715,217	-
Depreciable capital assets, net of depreciation	15,106,739	21,725,296	36,832,035	97,175
TOTAL ASSETS	\$ 42,829,113	\$ 30,371,033	\$ 73,200,146	\$ 238,485
LIABILITIES AND NET POSITION				
LIABILITIES				
Accounts payable	\$ 829,350	\$ 1,028,501	1,857,851	\$ -
Other payables	334,476	881,121	1,215,597	-
Interfund balances	148,587	(148,587)	-	-
Customer meter deposits	-	690,564	690,564	-
Long-term debt:				
Other Post employment benefits	5,521,709	-	5,521,709	-
Due within one year	470,000	499,600	969,600	32,000
Due beyond one year	10,165,365	10,178,746	20,344,111	32,000
TOTAL LIABILITIES	17,469,487	13,129,945	30,599,432	64,000
NET POSITION				
Net invested in capital assets	12,210,575	14,051,813	26,262,388	33,175
Restricted	826,115	1,259,281	2,085,396	-
Unrestricted	12,322,936	1,929,994	14,252,930	141,310
TOTAL NET POSITION	\$ 25,359,626	\$ 17,241,088	\$ 42,600,714	\$ 174,485

The accompanying notes are an integral part of this statement.

CITY OF ZACHARY, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total	
				Governmental Activities	Business-type Activities		
Primary Government:							
Governmental Activities:							
General Government	\$ 4,859,311	\$ 96,030	\$ 708,710	\$ (4,054,571)	\$ -	\$ (4,054,571)	\$ -
Streets	879,094	-	87,877	(791,217)	-	(791,217)	-
Public Safety	6,162,766	148,211	351,158	(5,663,397)	-	(5,663,397)	-
Sanitation	1,032,332	1,074,586	-	42,254	-	42,254	-
Debt Service	290,515	-	-	(290,515)	-	(290,515)	-
Total Governmental Activities	13,224,018	1,318,827	1,147,745	(10,757,446)	-	(10,757,446)	-
Business-type Activities:							
Enterprise - Utilities	5,960,558	7,023,029	1,222,325	-	2,284,796	2,284,796	-
Total Busines-type Activities	5,960,558	7,023,029	1,222,325	-	2,284,796	2,284,796	-
Total Primary Government	19,184,576	8,341,856	2,370,070	(10,757,446)	2,284,796	(8,472,650)	-
Component Units							
Judicial services	575,238	662,670	-	-	-	-	87,432
Total Component Units	575,238	662,670	-	-	-	-	87,432
General Revenues:							
Taxes				9,588,798	-	9,588,798	-
Fines				187,681	-	187,681	-
Commissions				1,402,720	-	1,402,720	-
License and permits				517,114	-	517,114	-
Interest income				1,234	1,020	2,254	-
Others				1,058,787	-	1,058,787	-
Transfers				70,000	-	70,000	(70,000)
Total general revenues and transfers				12,826,334	1,020	12,827,354	(70,000)
Change in net position				2,068,888	2,285,816	4,354,704	17,432
NET POSITION, Beginning				23,290,738	15,030,315	38,321,053	157,053
Restatement of Beginning Net Position				-	(75,043)	(75,043)	-
NET POSITION- Beginning(restated)				23,290,738	14,955,272	38,246,010	157,053
NET POSITION, Ending				\$ 25,359,626	\$ 17,241,088	\$ 42,600,714	\$ 174,485

The accompanying notes are an integral part of this statement.

CITY OF ZACHARY, LOUISIANA
COMBINED BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 6,772,887	\$ 10,383,338	\$ 826,115	\$ 17,982,340
Sales tax receivable	1,147,462	228,188	-	1,375,650
Other receivables	1,235,664	-	-	1,235,664
Prepaid expenses	24,884	-	-	24,884
Accrued interest receivable	-	-	-	-
Due from other funds	-	-	-	-
TOTAL ASSETS	\$ 9,180,897	\$ 10,611,526	\$ 826,115	\$ 20,618,538
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 660,054	\$ 169,296	\$ -	\$ 829,350
Other payables	184,920	149,556	-	334,476
Due to other funds	148,587	-	-	148,587
Total liabilities	993,561	318,852	-	1,312,413
Fund balance:				
Nonspendable	24,884	-	-	24,884
Restricted	-	-	826,115	826,115
Committed	-	10,292,674	-	10,292,674
Unassigned	8,162,452	-	-	8,162,452
Total fund balances	8,187,336	10,292,674	826,115	19,306,125
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,180,897	\$ 10,611,526	\$ 826,115	
Reconciliation of the Government Fund Balance Sheet to the Statement of Net Position:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:				
Cost of capital assets at June 30, 2014		30,239,656		
Less: accumulated depreciation at June 30, 2014		(8,029,081)		22,210,575
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities:				
Bond Payable		\$ (10,000,000)		
OPEB Liability		(5,521,709)		
Compensated absences		(635,365)		(16,157,074)
Net position of governmental activities				\$ 25,359,626

The accompanying notes are an integral part of this statement.

CITY OF ZACHARY, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General Fund	Special Revenue	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 8,126,485	\$ 1,027,127	\$ 435,186	\$ 9,588,798
Licenses and permits	517,114	-	-	517,114
Intergovernmental	1,147,745	-	-	1,147,745
Charges for services	1,318,827	-	-	1,318,827
Commissions	1,402,720	-	-	1,402,720
Fines	187,681	-	-	187,681
Miscellaneous	1,058,829	1,187	-	1,060,016
TOTAL REVENUES	13,759,401	1,028,314	435,186	15,222,901
EXPENDITURES				
General Government	3,927,330	-	-	3,927,330
Court	381,443	-	-	381,443
Public Safety -				
Police	3,927,927	-	-	3,927,927
Fire	2,488,969	-	-	2,488,969
Streets	614,738	4,081,690	-	4,696,428
Sanitation	1,032,332	-	-	1,032,332
Debt Service:				
Interest	-	-	231,181	231,181
Bond issue cost and other	-	-	59,334	59,334
TOTAL EXPENDITURES	12,372,739	4,081,690	290,515	16,744,944
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,386,662	(3,053,376)	144,671	(1,522,043)
OTHER FINANCING SOURCES (USES)				
Loan proceeds from bond	-	10,000,000	-	10,000,000
Transfers from (to) other funds	70,000	(681,444)	681,444	70,000
TOTAL OTHER FINANCING SOURCES (USES)	70,000	9,318,556	681,444	10,070,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	1,456,662	6,265,180	826,115	8,547,957
FUND BALANCE (DEFICIT), Beginning	6,730,674	4,027,494	-	10,758,168
FUND BALANCE (DEFICIT), Ending	\$ 8,187,336	\$ 10,292,674	\$ 826,115	\$ 19,306,125

The accompanying notes are an integral part of this statement.

**CITY OF ZACHARY, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Net change in fund balances - Governmental Funds (Page 16) \$ 8,547,957

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Net book value of assets disposed of during fiscal year	5,013,314
Depreciation expense for the year ended June 30, 2014	(21,590)
	(871,515)

Annual OPEB (Other Post Employment Benefit) expense	(847,164)
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Redistribution of vehicle tax revenue	105,838
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The liability and expense for compensated absences are not reported in governmental funds. Payments for compensated absences are reported as salaries when they occur. Only the payment consumes current financial resources, and it would take a catastrophic event for this liability to become a current liability.

108,464

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt:

Loan Proceeds	(\$10,000,000)	
Principal Payments	<u>33,584</u>	<u>(9,966,416)</u>

Change in net position of governmental activities (Page 14)	<u>\$ 2,068,888</u>
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The accompanying notes are an integral part of this statement.

EXHIBIT F

CITY OF ZACHARY, LOUISIANA
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

ASSETS**Current assets**

Cash and cash equivalents	\$ 1,189,936
Accounts receivable (net)	1,270,802
Other receivables - DEQ loan	653,373
Other receivables - miscellaneous	339,794
Prepaid expense	30,589
Due from other funds	148,587
Inventory	160,142
Total current assets	<u>3,793,223</u>

Restricted assets

Customer deposits:	
Cash and cash equivalents	606,439
Investments	100,000
Utility revenue bond:	
Cash and cash equivalents	1,683,281
Total restricted assets	<u>2,389,720</u>

Capital assets

Land	47,426
Construction in progress	2,563,955
Structures and improvements	36,354,301
Machinery and equipment	2,130,236
	41,095,918
Less accumulated depreciation	(16,759,241)
Total capital assets	<u>24,336,677</u>

TOTAL ASSETS

\$ 30,519,620

LIABILITIES**Current liabilities (payable from current assets)**

Payable from current assets:	
Accounts payable	\$ 1,028,501
Other payables	881,120
Current portion of long-term debt (note)	75,600
Payable from restricted assets:	
Customers' deposits	690,565
Current portion of long-term debt (bonds)	424,000
Total current liabilities	<u>3,099,786</u>

Long-term liabilities

Compensated absences	242,282
Bonds payable	8,441,152
Notes payable	1,495,312
Total long-term liabilities	<u>10,178,746</u>

TOTAL LIABILITIES

13,278,532

NET POSITION

Net invested in capital assets	14,051,813
Restricted net assets	1,259,281
Unrestricted	1,929,994
Total Net Position	<u>17,241,088</u>

TOTAL LIABILITIES AND NET POSITION

\$ 30,519,620

The accompanying notes are an integral part of this statement.

CITY OF ZACHARY, LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014

OPERATING REVENUES

Charges for services:

Water sales	\$ 2,601,356
Gas sales	2,861,465
Sewer service charges	1,007,259
Installation charges	145,842
Intergovernmental grant	1,222,325
Late fees	181,892
Miscellaneous service revenues	225,215
TOTAL OPERATING REVENUES	<u>8,245,354</u>

OPERATING EXPENSES

Water department	989,170
Gas department	1,997,097
Sewer department	867,260
Mechanic	99,270
Warehouse	133,518
General and administrative	709,282
Depreciation	1,145,152
TOTAL OPERATING EXPENSES	<u>5,940,749</u>

OPERATING INCOME **2,304,605**

NONOPERATING REVENUES (EXPENSES)

Gain on sale of fixed assets	
Interest income	1,020
Interest expense	(19,809)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(18,789)</u>

CHANGE IN NET POSITION **2,285,816**

NET POSITION - Beginning **15,030,315**

Restatement of Beginning Net Position **75,043**

NET POSITION - Beginning (restated) **14,955,272**

NET POSITION - Ending **\$ 17,241,088**

The accompanying notes are an integral part of this statement.

CITY OF ZACHARY, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	Utility Department
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 8,223,288
Cash received from customer deposits	41,949
Cash payments to suppliers	(3,667,500)
Cash payments to employees	(1,171,029)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>3,426,708</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(6,974,016)
Proceeds from loan	4,904,125
Interest payments on long-term debt	(19,809)
Principal payments on note	(79,300)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,169,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	1,020
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,020</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,258,728
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,220,928</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,479,656</u>
RECONCILIATION OF CASH AS LISTED ON BALANCE SHEET:	
Unrestricted cash	\$ 1,189,936
Restricted cash	2,289,720
	<u>\$ 3,479,656</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 2,304,605
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,145,152
(Increase) decrease in accounts receivable	(119,684)
(Increase) decrease in other receivables	250,863
(Increase) decrease in inventory	27,624
(Increase) decrease in prepaid expense	(4,658)
Increase (decrease) in accounts payable and accrued expenses	(90,081)
Increase (decrease) in customer deposits	41,949
Increase (decrease) in compensated absences	115,259
Increase (decrease) in due to other funds	(244,321)
Total adjustments	<u>1,122,103</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 3,426,708</u>

The accompanying notes are an integral part of this statement.

CITY OF ZACHARY, LOUISIANA NOTES TO FINANCIAL STATEMENTS

NOTE A: SIGNIFICANT ACCOUNTING POLICIES

The City of Zachary, Louisiana operates under a Home Rule Charter that provides for a mayor-council form of government. Five Council members are elected from separate districts at large, and they are compensated for their services. As authorized by its charter, the City is responsible for providing public safety, highways and streets, sanitation, recreation, public improvements, and general government services to its approximately 14,960 inhabitants with its boundaries located in East Baton Rouge Parish.

The accounting and reporting practices of the City of Zachary conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The City's reporting entity applies all relevant Government Accounting Standards Board (GASB) pronouncements. Such accounting and reporting procedures conform to the requirements of Louisiana Revised Statute 24:517, and to the industry guide, *Audits of State and Local Governmental Units*, published by the American Institute of Certified Public Accountants.

The following is a summary of certain significant accounting policies and practices.

Financial Reporting Entity

As the municipal governing authority, for reporting purposes, the City of Zachary, Louisiana is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (municipality), (b) the organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the City of Zachary, Louisiana for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include the following:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the municipality to impose its will on that organization and/or
 - b. The potential for the organizations to provide specific financial benefits to or impose specific financial burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.

CITY OF ZACHARY, LOUISIANA NOTES TO FINANCIAL STATEMENTS

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

As required by generally accepted accounting principles, these financial statements present the City of Zachary, Louisiana (the primary government) and its component unit. The component unit included in the accompanying financial statements is discretely presented.

Discretely Presented Component Unit

Component units that are legally separate from the municipality but are financially accountable to the municipality, or whose relationship with the municipality are such that exclusion would cause the municipality's financial statements to be misleading or incomplete are discretely presented. The "Component Unit" column of the combined financial statements includes the financial data of the discretely presented component unit. It is reported in a separate column to emphasize that it is legally separate from the municipality.

The City has one component unit, Zachary City Court, which is defined by GASB Statement No. 14 as another legally separate organization for which the elected City officials are financially accountable.

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display financial information about the City of Zachary as a whole entity. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions, while business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net position presents the assets and liabilities of each activity, with the difference reported as net position. Net position is further segregated between the amounts invested in capital assets, amounts which are restricted, and those which are unrestricted.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities.

Direct expenses are those that are specifically associated with a program or functions, and therefore, are clearly identifiable to a particular function. *Program revenues* include 1) fees, fines and charges paid by the recipients of goods, services, or privileges offered by a program 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as *general revenues*.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

CITY OF ZACHARY, LOUISIANA NOTES TO FINANCIAL STATEMENTS

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

The daily accounts and operation of the City are organized on the basis of individual funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that compromise its assets, liabilities, equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The City reports the following Governmental Funds:

Major Funds

General Fund

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund

This fund accounts for the collection and expenditure of a one-half cent sales tax which is restricted to street improvement and maintenance.

Non-Major Funds

Debt Service Fund

This fund accounts for transactions relating to resources retained and used for the payment of principal, interest, and related cost on long term debt.

The City reports the following Major Enterprise Fund:

Public Utilities Fund – As a proprietary fund, the public utility fund is used to account for operations, (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing the goods and services to the general public on a continuing basis be financed or recovered through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City gives or receives value without directed receiving or giving equal value in exchange, including property taxes, grants entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

CITY OF ZACHARY, LOUISIANA NOTES TO FINANCIAL STATEMENTS

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claim and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing resources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Operating and Non-operating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility department enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF ZACHARY, LOUISIANA NOTES TO FINANCIAL STATEMENTS

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the governmental-wide financial statements. Capital assets are valued at historical cost or estimated historical cost if actual cost is not available. The City's policy has set the capitalization threshold for reporting capital assets at \$5,000.

Depreciation of all exhaustible assets is charged as an expense against operations. Depreciation has been provided using the straight-line method over the assets' estimated useful lives, which are as follows:

Buildings	35-40 years
Sewerage system	25-35 years
Gas system	35 years
Water system	12-35 years
Office equipment	5-10 years
Automotive equipment	5-10 years

Budget and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The Mayor prepares a proposed budget and submits same to the Members of the Council prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. The budget is adopted through the passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
4. Budgetary amendments involving the transfer of funds from one department or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Members of the Council.
5. All budgetary appropriations lapse at the end of each fiscal year.
6. Budgets for the general, debt service, and proprietary funds are adopted on bases consistent with generally accepted accounting principles.

Louisiana R.S. 39:1310 requires budgets to be amended when revenue collections plus projected revenue collections for the remainder of a year, within a fund, are failing to meet estimated annual budgeted revenues by five percent or more or expenditures plus projected expenditures for the remainder of the year, within a fund, are exceeding estimated budgeted expenditures by five percent or more.

CITY OF ZACHARY, LOUISIANA NOTES TO FINANCIAL STATEMENTS

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

The level of budgeted control is total appropriations. Budgeted amounts are as originally adopted.

The original budgeted beginning fund balance is noted on the budget to actual statements in the current year to more accurately reflect the budgets as they were actually presented to the council.

Cash and Cash Equivalents and Investments

Cash and investments, which include demand deposit accounts, interest-bearing demand deposit accounts, and certificates of deposit, are stated at cost, which approximates market. Certificates of deposit with a maturity date of over three months when purchased are considered investments.

Under Louisiana Revised Statutes 39:1271 and 33:2955, the City may deposit funds in demand deposit accounts, interest-bearing demand deposit accounts, money market accounts, and time certificates of deposit with state banks organized under Louisiana law and national banks having principal offices in Louisiana.

Accounts Receivable and Bad Debt

All receivables are reported at their gross value and, where applicable, are reduced by the estimated portion that is expected to be uncollectible.

Accounts receivable are stated net of uncollectible accounts. Uncollectible amounts due from customers for utility services are recognized through an allowance for bad debts account at the time information becomes available. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Accounts receivable of \$1,270,802 are reported net of allowance for uncollectible accounts for the year ended June 30, 2014. Revenues of \$8,245,354 are reported net of uncollectible amounts for the year ended June 30, 2014.

Inventory

Inventory of supplies in the proprietary fund is valued at cost (first-in, first-out).

Purchases of operating supplies by governmental fund types are recorded as expenditures when purchased; inventories of such supplies are not recorded and are not considered by management to be material.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2014 are recorded as prepaid expenses.

CITY OF ZACHARY, LOUISIANA NOTES TO FINANCIAL STATEMENTS

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

Restricted Assets

Restricted assets included cash and cash equivalents that are legally restricted as to their use. The restricted assets are related to the customers' water deposits and restricted LAMP funds and bond accounts.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between the individual funds. These interfund receivables/payables are classified on the balance sheet as "Due from Other Funds" or "Due to Other Funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "interfund balances."

Compensated Absences

Employees earn up to 30 days vacation leave each year, depending on their length of service. Vacation leave can be accumulated. Upon termination, all unused vacation is paid to the employee up to a maximum of 60 days.

Employees earn varying amounts of sick leave each year depending on their length of service and employment status. Maximums are set for the accumulation of sick leave with even more restrictive limits established for post-retirement benefits.

GASB Statement 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

- a. The employees' rights to receive compensation are attributable to services already rendered.
- b. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

In compliance with GASB Statement 16, the City records a liability for earned vacation and sick leave and reflects the liability for this on the government-wide financial statements.

In the government-wide financial statements and the proprietary fund types fund statements, the total compensated absences liability is recorded as an expense and a long-term obligation and allocated on a functional basis. A current liability is recorded for the value of one year's accrual of leave. In accordance with GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, (issued in March of 2000), no compensated absences liability is recorded at June 30, 2014, in the governmental fund financial statements.

CITY OF ZACHARY, LOUISIANA NOTES TO FINANCIAL STATEMENTS

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

Long-Term Obligations

In government-wide financial statements, debt principal payments of both governmental and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Position. In fund financial statements, however, debt principal payments of governmental funds are recognized as expenditures when paid.

Net Position

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis – for Local and State Governments*, required reclassification of net assets into three separate components. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, revised the terminology by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. GASB Statement No. 63 requires the following component of net position:

- *Net invested in capital assets* – Consist of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- *Restricted net position* – Consists of net position with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, laws, or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- *Unrestricted net position* – All other net position that does not meet the definition of “restricted” or “net invested in capital assets.”

Operating Transfers

Advances between funds which are not expected to be repaid are accounted for as operating transfers. In those cases where repayment is expected, the transfers are accounted for through the various due from and due to accounts. These are eliminated in the government-wide statements.

Statement of Cash Flows

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with original maturities of three months, or less when purchased to be cash equivalents.

CITY OF ZACHARY, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

Fund Equity

City of Zachary, Louisiana elected to implement GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. In the fund financial statements, fund balance of the governmental funds are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purpose because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations or other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Councilmen.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed by that are intended to be used for specific purposes.

Unassigned – All other spendable amounts.

As of June 30, 2014, all fund balances are as follows:

	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Prepaid items	\$ 24,884	\$ -	\$ -	\$ 24,884
Restricted	-	-	826,115	826,115
Committed:				
Capital Outlay	-	10,292,674	-	10,292,674
Unassigned	<u>8,162,452</u>	<u>-</u>	<u>-</u>	<u>8,162,452</u>
Total Fund Balances	<u>\$ 8,187,336</u>	<u>\$ 10,292,674</u>	<u>\$ 826,115</u>	<u>\$ 19,306,125</u>

Restricted funds are used first as appropriate. Assigned funds are reduced to the extent that expenditure authority has been budgeted by the City or the assignment has been changed by the City. Decreases in fund balance first reduce Unassigned fund balance; in the event that Unassigned becomes zero, then Assigned and Committed fund balances are used in that order.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE B: CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents:

At June 30, 2014, the City of Zachary, Louisiana had cash and cash equivalents (book balances) totaling \$21,461,996 and bank balances totaling \$24,587,923 as follows:

Non-interest bearing demand deposits	\$ 2,816,589
Interest bearing demand deposits	<u>21,771,334</u>
Total	<u><u>\$ 24,587,923</u></u>

The deposits are stated at cost, which approximates market.

Security on Deposits:

Under state law, these deposits (or resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2014, the City had the following security on deposits as shown on the following page:

	Primary Government			Component Unit - City Court
	Cash	Nonnegotiable Certificates of Deposit	Total	Cash
Deposits per Balance Sheet (Reconciled bank balance)	<u>\$ 21,461,996</u>	<u>\$ 100,000</u>	<u>\$ 21,561,996</u>	<u>\$ 141,310</u>
Deposits in bank accounts per bank	<u>\$ 24,587,923</u>	<u>\$ 100,000</u>	<u>\$ 24,687,923</u>	<u>\$ 186,937</u>
Bank balances exposed to custodial credit risk:				
a. Uninsured and uncollateralized			-	-
b. Uninsured and collateralized with securities held by the pledging institution			-	-
c. Uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entity's name			<u>\$ 27,079,679</u>	<u>\$ 186,937</u>
Excess of FDIC insurance and pledged securities over cash at June 30, 2014			<u><u>\$ 2,391,756</u></u>	<u><u>\$ -</u></u>

CITY OF ZACHARY, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

NOTE B: CASH AND CASH EQUIVALENTS AND INVESTMENTS, continued

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertised and sell the pledged securities within 10 days of being notified by the City of Zachary, Louisiana that the fiscal agent has failed to pay deposited funds upon demand.

Investments:

Investments of the City of Zachary, Louisiana consist of certificates of deposit, U.S. government securities, and Louisiana Asset Management Pool investments. These securities are stated at their fair value as required by GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*. The City used quoted market values to determine fair value of the investments.

Interest Rate Risk – The City of Zachary has no formal investment policy, but has adopted the state investment policy at LA RS 49:327. The City invests in investments with maturities limited to five year as means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk – Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City of Zachary invests in certificates of deposits that are backed by FDIC and pledged securities, and U.S. government securities. The City has adopted the state investment policy at LA 49:327 and does not have any other policy that would further limit the investment choices. As of June 30, 2014, 100% of the City's investment balances were exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entity's name.

Concentration of Credit Risk – The City places no limits on the amount they may invest in any one issuer.

At June 30, 2014, the City held certificates of deposit, with an original maturity greater than 90 days, totaling \$100,000. These investments are stated on the balance sheet at market value and are as follows:

Descriptions	Cost	Fair Value	Maturity Date	Interest Rate
Certificates of deposit	\$ 100,000	\$ 100,000	7/15/14-9/12/14	.45-.80%
Total Investments	<u>\$ 100,000</u>	<u>\$ 100,000</u>		

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE C: ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

The receivables at June 30, 2014 are as follows:

Description	Governmental Activities	Business-type Activities
Fire department - state grant	\$ 313,247	\$ -
Fines	12,396	-
Sales tax	1,375,650	-
Charge for services	274,460	1,270,802
Garbage collection fees	302,541	-
Commissions	70,556	-
Fire department - miscellaneous	60,627	-
Police department - miscellaneous	35,625	-
911 Operations	123,743	-
DEQ Federal loan project	-	653,373
DOTD URAF	-	323,029
Other	42,469	16,765
	<hr/>	<hr/>
Total	<u>\$ 2,611,314</u>	<u>\$ 2,263,969</u>

NOTE D: RESTRICTED ASSETS

Customer deposits are paid by customers upon application of water service and are returnable to them upon termination of services. The District maintains an interest bearing account which is designated specifically for meter deposits. At June 30, 2014, customer deposits amounted to \$706,439.

Certain resources are set aside for repayment of bond indebtedness and are classified as restricted assets on the Statement of Net Assets because they are maintained in separate bank accounts and their use is limited by applicable bond ordinances. The following schedule summarizes the current year transactions in the major categories of these restricted accounts:

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE D: RESTRICTED ASSETS, continued

	Bond Construction Account	Utility Revenue Bond Debt Service Fund	Utility Revenue Bond Debt Service Reserve Fund	Depreciation & Contingency Fund
Beginning balance, July 1, 2013	\$ 49,033	\$ 100,014	\$ 31,267	\$ 125,000
Add:				
Deposits	\$ 5,202,278	\$ -	\$ -	\$ -
Transfers from utility checking	1,200,000	100,000	250,000	75,000
Interest earned	-	118	106	-
Total funds available	6,451,311	200,132	281,373	200,000
Less:				
Cash disbursement	4,898,128	-	-	-
Interest payments	-	-	51,405	-
Transfers to utility checking	500,000	-	-	-
Service charges	3	-	-	-
Ending balance	\$ 1,053,180	\$ 200,132	\$ 229,968	\$ 200,000

Total restricted assets of the Utility Fund were applicable to the following at June 30, 2014:

	2014
Customer Deposits Accounts:	
Cash and Cash Equivalents	\$ 606,439
Investments	100,000
Utility Revenue Bond:	
Cash and Cash Equivalents	1,683,281
Total	\$ 2,389,720

NOTE E: CAPITAL ASSETS

A summary of changes in capital assets for governmental activities is as follows:

	Primary Government		
	Balance 6/30/2013	Additions	Balance 6/30/2014
Land	\$ 2,354,222	\$ -	\$ 2,354,222
Road infrastructure	10,084,687	-	10,084,687
Buildings and improvements	3,778,560	-	3,778,560
Machinery and equipment	8,352,048	945,923	9,272,571
Construction in progress- Streets	682,223	4,067,391	4,749,614
Total Capital Assets	\$ 25,251,740	\$ 5,013,314	\$ 30,239,654

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE E: CAPITAL ASSETS, continued

	Primary Government				
	Accumulated Depreciation Balance	Additions	Deletions	Accumulated Depreciation Balance	Capital Assets Net of Accumulated Depreciation
	6/30/2013			6/30/2014	
Land	\$ -	\$ -	\$ -	\$ -	\$ 2,354,222
Road infrastructure	1,263,115	253,813	-	1,516,928	8,567,760
Buildings and improvements	1,475,224	113,371	-	1,588,595	2,189,965
Machinery and equipment	4,423,037	504,331	(3,810)	4,923,558	4,349,013
Construction in progress- Streets	-	-	-	-	4,749,614
Total Accumulated Depreciation	\$ 7,161,376	\$ 871,515	\$ (3,810)	\$ 8,029,081	\$ 22,210,574

Depreciation expense for the year ended June 30, 2014 was charged to the following governmental functions:

General government	\$ 617,702
Streets	253,813
	<u>\$ 871,515</u>

A summary of changes in capital assets for business-type activities is as follows:

	Business-Type Activities				
	Balance 6/30/2013	Additions	Deletions	Reclass- ifications	Balance 6/30/2014
Land	\$ 47,426	\$ -	\$ -	\$ -	\$ 47,426
Construction in progress	2,182,283	6,657,975	-	(6,276,303)	2,563,955
Buildings and improvements, Gas, water, sewer systems	29,782,954	295,044	-	6,276,303	36,354,301
Machinery and equipment	2,109,238	20,998	-	-	2,130,236
Total Capital Assets	34,121,901	6,974,017	-	-	41,095,918

	Business-Type Activities				
	Accumulated Depreciation Balance 6/30/2013	Additions	Deletions	Accumulated Depreciation Balance 6/30/2014	Capital Assets Net of Accumulated Depreciation
Land	\$ -	\$ -	\$ -	\$ -	\$ 47,426
Construction in progress	-	-	-	-	2,563,955
Buildings and improvements Gas, water, sewer systems	14,218,025	989,636	-	15,207,661	21,146,640
Machinery and equipment	1,396,063	155,516	-	1,551,579	578,657
Total Accumulated Depreciation	\$ 15,614,088	\$ 1,145,152	\$ -	\$ 16,759,240	\$ 24,336,678

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE E: CAPITAL ASSETS, continued

Depreciation expense for the year ended June 30, 2014 for business-type activities totaled \$1,145,152, and total capitalized interest totaled \$51,405.

	Component Unit		
	Balance 6/30/2013	Additions	Deletions
Machinery and equipment	\$ 287,295	\$ 2,187	\$ -
Accumulated depreciation	(152,432)	(39,875)	-
Capital assets, net of accumulated depreciation	<u>\$ 134,863</u>	<u>\$ (37,688)</u>	<u>\$ -</u>

Depreciation expense for the year for the component unit ended June 30, 2014 totaled \$39,875.

NOTE F: INTERFUND RECEIVABLE AND PAYABLE

Interfund receivable and payable representing short-term borrowing at June 30, 2014 were as follows:

Fund	Interfund Receivables	Interfund Payables
Special revenue fund	\$ -	\$ -
General fund		148,587
Proprietary fund	<u>148,587</u>	<u>-</u>
	<u>\$ 148,587</u>	<u>\$ 148,587</u>

NOTE G: PRIOR PERIOD ADJUSTMENT

On February 1, 2012, \$9,300,000 of utilities revenue bonds were issued. The actual issuance cost was \$75,043. This amount was to be amortized over the life of the bonds beginning after the 2 year construction period when payments commenced. With the implementation of GASB 65, net bond issuance costs previously recorded as an asset are to be written off as a prior period adjustment to beginning net position as follows:

Beginning net position	\$ 15,030,315
Bond issuance costs write off	(75,043)
Restated beginning net position	<u>\$ 14,955,272</u>

CITY OF ZACHARY, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

NOTE H: LONG-TERM DEBT

The following is a summary of changes in long-term debt:

	June 30, 2013	Additions	Deletions	June 30, 2014	Current Portion
<u>Governmental Activities:</u>					
Capital lease obligation	\$ 33,584	\$ -	\$ (33,584)	\$ -	\$ -
Public Street - bonds	-	10,000,000	-	10,000,000	470,000
Claims and judgments - Vehicle Sales Tax Collector	105,837	-	(105,837)	-	-
Compensated absences	743,825	-	(108,461)	635,364	-
	<u>\$ 883,246</u>	<u>\$ 10,000,000</u>	<u>\$ (247,882)</u>	<u>\$ 10,635,364</u>	<u>\$ 470,000</u>
<u>Business-Type Activities:</u>					
Compensated absences	\$ 127,023	\$ 115,259	\$ -	\$ 242,282	\$ -
Bonds payable	3,961,027	4,904,125	-	8,865,152	424,000
Loan agreement	1,650,212	-	(79,300)	1,570,912	75,600
	<u>\$ 5,738,262</u>	<u>\$ 5,019,384</u>	<u>\$ (79,300)</u>	<u>\$ 10,678,346</u>	<u>\$ 499,600</u>

Capital Lease Obligation

Capital leases are accounted for in accordance with Section L20 of GASB Codification and NCGA Statement No. 5 which require governments to use the criteria contained in FASB Statement No. 13, *Accounting for Leases*, and GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, to classify leases as capital or operating leases. The GASB Codification and NCGA Statement No. 5 also require that assets under capital leases be recorded as capital leases and the lease obligation be recorded as long-term debt in the Government-wide Statement of Net Position.

In November 2011, the City executed a 36 month lease agreement with Ford Motor Credit Company for 4 new cars in the amount of \$100,752. The annual interest rate is 6.00%

The future minimum lease payments under these agreements as of June 30, 2014 are as follows:

2015	\$ -
	<u>\$ -</u>

Component Unit

In October 2011, the City Court executed a 60 month lease agreement with Dan Haggerty & Associates, Inc. for computer software in the amount of \$160,000.

CITY OF ZACHARY, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

NOTE H: LONG-TERM DEBT, continued

The future minimum lease payments under these agreements as of June 30, 2014 are as follows:

2015	32,000
2016	32,000
	<hr/>
	\$ 64,000
	<hr/>

Public Street Bonds

In 2013, the City of Zachary, Louisiana was issued \$10,000,000 of Public Street Bonds, Series 2013. The interest rate is 4.50% and interest payments are payable semiannually. Principal payments are made annually beginning October 1, 2014 through October 1, 2028. These funds must be used for the widening and improvement of existing public roads and streets, construction of new public roads and streets, road beautification projects, and paying bond issuance costs. The following is a summary of loan transactions as of June 30, 2014:

Balance July 1, 2013	\$ -
Bonds issued	10,000,000
Principal payments	<hr/> -
Balance, June 30, 2014	<hr/> \$ - <hr/>
Current portion as of June 30, 2014	\$ 470,000
Long-term liability as of June 30, 2014	9,530,000
Total liability as of June 30, 2014	<hr/> \$ 10,000,000 <hr/>

Loan Agreement

In September 2002, the Council authorized the City to execute a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority (the "LCDA") for the purpose of providing funds for the construction of public works and infrastructure related to the Central Service Pump Station and Force Main projects in an amount of \$1,500,000. In August 2003, the City amended the original loan agreement with LCDA for an additional \$1,500,000 for the acquisition, construction, installation, and equipping of meter read system for the various utilities. Advances under the loan agreement are drawn down as expenditures made on this project. The interest rate on these advances fluctuates weekly with changes in the Bond Market Association (BMA) Municipal Swap Index. The average interest rate on outstanding advances at June 30, 2014 was 1.26%.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE H: LONG-TERM DEBT, continued

The future annual debt service requirements as of June 30, 2014, are as follows:

	<u>LCDA Loan</u>
Balance July 1, 2013	\$ 1,650,212
Principal Payments	(79,300)
Balance, June 30, 2014	<u>\$ 1,570,912</u>
Current portion as of June 30, 2014	\$ 75,600
Long-term liability as of June 30, 2014	1,495,312
Total liability as of June 30, 2014	<u>\$ 1,570,912</u>

Bonds Payable

In 2012, the City of Zachary, Louisiana was issued \$9,300,000 of Utilities Revenue Bonds, Series 2012 from the State Revolving Fund Program through the Louisiana Department of Environmental Quality, a partial flow through from the United States Environmental Protection Agency (see Schedule of expenditures of Federal Awards Note 2). These funds must be used for the purpose of providing for constructing and acquiring improvements and extensions to the Utility system. As of June 30, 2014, \$8,765,826 was drawn on the loan. The bonds bear interest at .45% per annum and administrative fees at .50% with a maturity of 20 years. The bonds are payable in semiannual installments of interest beginning in July, 2012 and annual installments of principal beginning in January 2015.

On November 26, 2013, a second supplemental bond ordinance was adopted authorizing an additional issuance of \$5,000,000 Utilities Revenue Bond, Series 2014 in accordance with the terms and conditions of the above bonds. The funds are to be used for the same purpose as above. As of June 30, 2014, \$99,326 was drawn on the loan.

The following is a summary of the loan transactions as of June 30, 2014:

	<u>\$9,300,000</u>	<u>\$5,000,000</u>	<u>Total</u>
Balance July 1, 2013	\$ 3,961,027	\$ -	\$ 3,961,027
Bond proceeds	4,804,799	99,326	4,904,125
Principal Payments	-	-	-
Balance, June 30, 2014	<u>\$ 8,765,826</u>	<u>\$ 99,326</u>	<u>\$ 8,865,152</u>
Current portion as of June 30, 2014	\$ 424,000	\$ -	\$ 424,000
Long-term liability as of June 30, 2014	8,341,826	99,326	8,441,152
Total liability as of June 30, 2014	<u>\$ 8,765,826</u>	<u>\$ 99,326</u>	<u>\$ 8,865,152</u>

The annual requirements to amortize all debt outstanding as of June 30, 2014 including interest and administrative fees of \$963,607 are as follows:

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE H: LONG-TERM DEBT, continued

Year Ending June 30	Utility Revenue Bonds Series 2012 *	Utility Revenue Bonds Series 2014 *	LCDA Loan	Public Street Bonds
2015	504,369	-	125,129	909,425
2016	505,600	250,500	127,247	922,487
2017	506,510	251,474	129,854	919,312
2018	506,377	253,439	132,233	920,125
2019-2023	2,529,564	1,282,288	705,218	919,812
2024-2028	2,529,309	1,312,869	680,645	4,587,640
2029-2033	2,528,749	1,345,101	-	4,566,099
2034-2035	508,068	547,676	-	-
Total	10,118,546	5,243,347	1,900,326	13,744,900
Less Current Maturities	(424,000)	-	(75,600)	(909,425)
	<u>\$ 9,694,546</u>	<u>\$ 5,243,347</u>	<u>\$ 1,824,726</u>	<u>\$ 12,835,475</u>

- The annual requirements were taken from a preliminary amortization schedule showing the entire loan being drawn. The projects will be completed within two years from the date of the bond ordinances at which time the loans will be closed and new amortization schedules will be issued.

NOTE I: FLOW OF FUNDS & RESTRICTIONS ON USE – BONDS PAYABLE

A) BUSINESS TYPE FUND

All of the income and revenues earned or derived from the operation of the System shall be deposited daily as the same may be collected in the City's Utilities Revenue Fund" (the "Revenue Fund"). Funds in the Revenue Fund shall be expended in the following order of priority and for the following express purposes:

- 1) The payment of all reasonable and necessary expenses of operation and maintenance of the System as are not provided for from other lawfully available sources.
- 2) The establishment and maintenance of a "Utilities Revenue Bond Debt Service Fund" (the "Debt Service Fund"), sufficient in amount to pay promptly and fully the principal of and the interest on the Bonds, as they severally become due and payable, by transferring from funds in the Revenue Fund, after making the payments required by (a) above, to the Debt Service Fund monthly on or before the 20th day of each month of each year, at least a sum equal to 1/6th of the interest and Administrative Fee, if any, falling due on the Bonds on the next Interest Payment Date and at least a sum equal to 1/12th of the principal falling due on the Bonds on any Principal Payment Date that occurs within the next ensuing twelve months, together with such additional proportionate monthly sum as may be required to pay said principal, interest, and Administrative Fee as the same become due. The City shall transfer from said Debt Service Fund to the paying agent(s) for all Bonds payable from the Debt Service Fund, or directly to the Owners, not less than three days prior to each Interest Payment Date, funds fully sufficient to pay promptly the principal, interest, and Administrative Fee of the Bonds falling due on such date.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE I: FLOW OF FUNDS & RESTRICTIONS ON USE – BONDS PAYABLE, continued

- 3) The establishment and maintenance of a "Utilities Revenue Bond Debt Service Reserve Fund" (the "Reserve Fund"), containing separate accounts for each series of the Bonds, each such account to be designated (as set forth in a Series Ordinance) as the "Series 2012 Account," the money in the accounts of Reserve Fund to be retained solely for the purpose of paying the principal of and interest on the respective series of the bonds payable from the Debt Service Fund as to which there would otherwise be default, by transferring from the proceeds of such series or from other available monies, or from the Revenue Fund (after making all required payments from said fund as hereinabove described), monthly or annually, such amounts as will increase the total amount on deposit in each account in the Reserve Fund to a sum equal to the Reserve Fund Requirement for the applicable Series of the Bonds.
- 4) The establishment and maintenance of the "Depreciation and Contingency Fund" (the "Contingencies Fund"), to care for extensions, additions, improvements, renewals and replacements necessary to properly operate the System, by transferring from funds in the Revenue Fund after making the payment required (1), (2), and (3) above to the Contingencies Fund monthly on or before the 20th day of each month of each year, a sum equal to five percent (5%) of the Net Revenues for the preceding month, provided that such sum is available after provisions is made for the payments required under paragraphs (1), (2), and (3) above. Such payments into the Contingencies Fund shall continue until such time as there has been accumulated in the Contingencies Fund the sum of Five Hundred Thousand Dollars (\$500,000), whereupon such payments may cease and need be resumed thereafter only if the total amount of money on deposit in said fund is reduced below the sum of Five Hundred Thousand Dollars (\$500,000), in which event such payments shall be resumed and continue until said maximum amount is again accumulated. In addition to caring for extensions, additions, improvements, renewals and replacements necessary to properly operate the System, the money in the Contingencies Fund may also be used to pay the principal of and the interest on the Bonds for the payment of which there is not sufficient money in the Debt Service Fund and Reserve Fund described in paragraphs (2) and (3) above, but the money in said Contingencies Fund may also be used to pay the principal of and the interest on the Bonds for the payment of which there is not sufficient money in the Debt Service Fund and Reserve Fund shall never be used for the making of improvements and extensions to the System or for payment of principal or interest on Bonds if the use of said money will leave in said Contingencies Fund for the making of emergency repairs or replacements less than the sum of Seventy-Five Thousand Dollars (\$75,000).
- 5) Any money remaining in the Revenue Fund after making the above-required payments may be used by the City for the purpose of calling and/or purchasing and paying any bonds payable from the Revenues, or for such other lawful corporate purposes as the Governing Authority may determine.

B) GOVERNMENTAL FUNDS

In order that the principal of and the interest on the Bonds will be paid in accordance with their terms and for the other objects and purposes hereinafter provided, the Issuer further covenants as follows:

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE I: FLOW OF FUNDS & RESTRICTIONS ON USE – BONDS PAYABLE, continued

The Revenues shall continue to be deposited each month, as received, in a special bank account maintained with the regularly designated fiscal agent of the Issuer and designated as the "Public Street Fund – 2013" (hereinafter called the "Revenue Bond Fund").

The funds on deposit in the Revenue Fund shall be used in the following order of priority and for the following express purposes:

- 1) The establishment and maintenance of the "Public Street Bond Sinking Fund – 2013." (hereinafter called the "Sinking Fund"), sufficient in amount to pay promptly and fully the principal of, premium, if any, and the interest on the Bonds herein authorized, including any *pari passu* bonds issued hereafter in the manner provided by this Bond Ordinance, as they severally become due and payable, by transferring from the Revenue Bond Fund to the regularly designated fiscal agent of the Issuer, monthly in advance on or before the 20th day of each month of each year, a sum equal to one-sixth ($1/6$) of the interest falling due on the next Interest Payment Date and one-twelfth ($1/12$) of the principal falling due on the next principal payment date, together with such additional proportionate sum as may be required to pay said principal and interest as the same respectively become due. Said fiscal agent shall transfer from the Sinking Fund to the paying agent bank or banks for all bonds payable from the Sinking Fund, at least two (2) days in advance of the date on which payment of principal or interest falls due, funds fully sufficient to pay promptly the principal and interest so falling due on such date.

All or any part of the moneys in the Revenue Bond Fund and the Sinking Fund may be invested in Government Investments. All income derived from such Government Investments shall be added to the Revenue Bond Fund, and such investment shall, to the extent at any time necessary, be liquidated and the proceeds thereof applied to the purposes for which the Revenue Bond Fund was created.

All moneys remaining in the Revenue Bond Fund on the 20th day of each month in excess of (i) all reasonable and necessary expenses of collection and administration of the Tax, and (ii) after making the required payments into the Sinking Fund for the current month and for prior months during which the required payments may not have been made, shall be considered as surplus. Such surplus may be used by the Issuer for any of the purposes for which the Tax is authorized.

The maintenance of the Public Street Revenue Bond Reserve Fund (hereinafter called the "Reserve Fund"), with regularly designated fiscal agent of the Issuer. The money in the Reserve Fund is to be retained solely for the purpose of paying the principal of and the interest on the Bonds payable from the aforesaid Sinking Fund as to which there would otherwise be default (except for certain earnings which may be owed the United States pursuant to Section 148(f) of the Code). On or before the 20th day of each month following the delivery of the Bonds, an amount equal to one thirty-sixth of the Revenue Fund Requirement shall be deposited in the Reserve Fund and such deposits shall continue until the Reserve Fund Requirement for the Bonds is satisfied. In the event that Additional Parity Bonds are issued hereafter, there shall be deposited into the Reserve Fund, from the proceeds of such Additional Parity Bonds and/or from any other source provided by the Issuer, such additional amounts (as may be designated in the ordinance authorizing the issuance of such Additional Parity Bonds) as will increase the total amount on deposit in the Reserve Fund within a period not exceeding three (3) years to a sum equal to the Reserve Fund Requirement.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE I: FLOW OF FUNDS & RESTRICTIONS ON USE – BONDS PAYABLE, continued

If at any time it shall be necessary to use moneys in the Reserve Fund for the purpose of paying principal or interest on Bonds as to which there would otherwise be default, then the moneys so used shall be replaced from the revenues first thereafter by the Revenue Bond Fund, not hereinabove required to pay the expenses of collecting and administering the Taxes or to pay current principal and interest requirements, it being the intention hereof that there shall as nearly as possible be at all times in the Reserve Fund the amount hereinabove specified.

The Reserve Fund Requirement, in whole or in part, may be funded with cash investment obligations, or one or more Reserve Products, or a combination thereof. Any such Reserve Product must provide for payment on any interest or principal payment date (provided adequate notice is given) on which a deficiency exists (or is expected to exist) in amounts held hereunder for payment of the principal of or interest on the Bonds due on such date which cannot be cured by amounts in any account held pursuant to this Bond Ordinance and available for such purpose, and shall name the Paying Agent of each issue of Outstanding Parity Bonds as the beneficiary thereof. The Reserve Product must be rated in the highest rating category by each Rating Agency. If a disbursement is made from a Reserve Product as provided above, the Issuer shall be obligated to reinstate the maximum limits of such disbursement from the first Revenues available pursuant to this Section or to replace such Reserve Product by depositing into the Reserve Fund pursuant to such sections, the maximum amount originally available under such Reserve Product, plus amounts necessary to reimburse the Reserve Product for previous disbursements under such Reserve Product, or a combination thereof. For purposes of this Section, amounts necessary to satisfy such reimbursement obligations of the Issuer to the Reserve Product Provider shall be deemed to be required deposits to the Reserve Fund, and shall be applied to satisfy the obligations to the Reserve Product Provider.

If the Reserve Fund Requirement is funded in whole or in part with cash or Investment Obligations and no event of default shall have occurred and be continuing hereunder, the Issuer may at any time in its discretion, substitute a Reserve Product meeting the requirements of the Bond Ordinance for the cash and investment obligations in the Reserve Fund and the Issuer may then withdraw such cash and investment obligations from the Reserve Fund expend such replaced funds and obligations for the purposes the Bonds were issued and, in the event the Bonds were issued for more than one purpose for the purposes and in the same proportion as the purposes for which the Bonds were issued so long as (i) the same does not adversely affect any rating by a Rating Agency then in effect with respect to the Bonds, and (ii) the Issuer obtains opinion of Bond Counsel to the effect that such actions will not, and in and of themselves, adversely affect the exclusion from gross income of interest on the Bonds (if not taxable obligations) for federal income tax purposes.

The Revenue Bond Fund, Reserve Fund, and the Sinking Fund provide for in this Section shall all be and constitute trust funds for the purposes provided in this Bond Ordinance, and the Owners of the Bonds issued pursuant to this Bond Ordinance are granted a lien on all such funds until applied in the manner provide herein. The moneys in such funds shall at all times be secured to the full extent thereof by the bank or trust company holding such funds in the manner required by the laws of the State of Louisiana.

CITY OF ZACHARY, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

NOTE I: FLOW OF FUNDS & RESTRICTIONS ON USE – BONDS PAYABLE, continued

All moneys remaining the Revenue Fund on the 20th day of each month after making the required payments into the Sinking Fund and the Reserve Fund for the current month and for prior months during which the required payments may have not have been made, shall be considered as surplus. Such surplus may be used by the Issuer for any of the purposes for which the imposition of the Taxes is authorized.

All or any part of the moneys in the Reserve Fund shall, at the written request of the issuer, be invested in direct obligations of the United States of America, maturing in five (5) years or less. The income on such funds shall be added to the Revenue Bond Fund, provided that if the amount in the Reserve Fund at any time is less than the Reserve Fund Requirement, then any income derived from such investments in the Reserve Fund shall be retained in the Reserve Fund. Such investments shall, to the extent at any time necessary, be liquidated and the proceeds thereof applied to the purposes for which the respective funds are herein created.

NOTE J: ACCOUNTS, SALARIES, AND OTHER PAYABLES

A summary of payables at June 30, 2014 is as follows:

Class of Payables	General Fund	Special Revenue Funds	Proprietary Funds
Accounts payable	\$ 660,054	\$ 318,852	\$ 1,028,501
Accrued payroll expense	-	-	
Accrued expenses	184,920	-	881,121
Total	<u>\$ 844,974</u>	<u>\$ 318,852</u>	<u>\$ 1,909,622</u>

NOTE K: AD VALOREM TAXES

Ad valorem taxes are levied and are actually billed to the taxpayers in December of each year. Billed ad valorem taxes become delinquent on January 2nd of the following calendar year. If ad valorem taxes are unpaid by June 30, the property is offered at a tax sale, and thirty days after the tax sale a lien is placed on the property.

The East Baton Rouge Parish Sheriff's office bills and collects the property taxes for the City using the assessed values determined by the tax assessor of East Baton Rouge Parish. For the 2014 calendar year, taxes of 3.17 mils were levied (6.75 mils authorized) on property with assessed valuations totaling \$125,643,478 and were available for general purposes.

Ad valorem taxes collected during the year ended June 30, 2014 totaled \$435,049.

CITY OF ZACHARY, LOUISIANA NOTES TO FINANCIAL STATEMENTS

NOTE L: DEFINED BENEFIT PENSION PLAN

Substantially all employees of the City of Zachary are members of either, the Municipal Employees Retirement System of Louisiana, The Municipal Police Employees Retirement System of Louisiana, or the Firefighters' Retirement System. The systems are cost-sharing, multiple-employer defined benefit pension plan administered by separate boards of trustees. Pertinent information relative to each plan follows:

a. Municipal Employees Retirement System of Louisiana (MERS)

Plan description: All of the City's full-time general employees participate in the MERS, a multiple-employer, cost-sharing pension plan administered by a separate board of trustees. MERS provide retirement, disability, and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. MERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana, 70809, or by calling (225) 925-4810.

Funding policy: Plan members are required by state statute to contribute 9.50 percent of their annual covered salary to the System, and The City of Zachary is required to make contributions at an actuarially determined rate. The rate paid by the City during the past fiscal period was 18.75 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each parish. The contribution requirements of plan members and the City of Zachary are established and amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the MERS during the years ended June 30, 2014, 2013, 2012, 2011, 2010, 2009, and 2008 totaled \$395,800, \$441,491, \$449,999, \$327,822, \$314,134, \$307,155, and \$318,445, respectively, equal to the required contributions.

The City pays a portion of the 9.50% employee retirement contribution which would otherwise be deducted from the employees' salary. The City's payment of this employee portion is optional and can be changed.

b. Municipal Police Employees Retirement System of Louisiana (MPERS)

Plan description: All of the City's full-time police employees participate in the MPERS, a multiple-employer, cost-sharing, defined benefit pension plan administered by a separate board of trustees. MPERS provide retirement, disability, and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. MPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Police Employees' Retirement System of Louisiana, 8401 United Plaza Boulevard, Suite 270, Baton Rouge, Louisiana, 70809, or by calling (225) 929-7411.

CITY OF ZACHARY, LOUISIANA NOTES TO FINANCIAL STATEMENTS

NOTE L: DEFINED BENEFIT PENSION PLAN, continued

Funding policy: Plan members are required by state statute to contribute 10.00 percent of their annual covered salary to the System, and the City of Zachary is required to make contributions at an actuarially determined rate. The rate paid by the City during the past fiscal period was 31.00 percent of annual covered payroll. The contribution requirements of plan members and the City of Zachary are established and amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the MPERS during the years ended June 30, 2014, 2013, 2012, 2011, 2010, 2009, and 2008 totaled \$635,028, \$636,059, \$551,521, \$460,895, \$205,252, \$162,068, and \$240,309, respectively, equal to the required contributions.

c. Firefighters' Retirement System (FRS)

Plan description: All of the City's full-time fire employees participate in the FRS, a multiple-employer, cost-sharing, defined benefit pension plan administered by a separate board of trustees. FRS provides retirement, disability, and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. FRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Firefighters' Retirement System of Louisiana, P.O. Box 94095, Baton Rouge, Louisiana, 70806, or by calling (225) 925-4060.

Funding policy: Plan members are required by state statute to contribute 10.00 percent of their salary to the System, and the City of Zachary is required by this statute to contribute the remaining amounts necessary to pay benefits when due (currently 28.25%). The contribution requirements of plan member and the City of Zachary are established and amended by state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the FRS during the years ended June 30, 2014, 2013, 2012, 2011, 2010, 2009, and 2008 totaled \$321,640, \$252,560, \$243,622, \$229,307, \$142,655, \$117,707, and \$125,783, respectively.

NOTE M: OTHER POST-EMPLOYMENT BENEFITS

Plan Description. The City of Zachary's medical/dental benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement.

The employees are covered by one of three retirement systems: first, the Municipal Employees' Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; or age 60 and 10 years of services; second, the Municipal Police Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; age 50 and 20 years of service; or, age 55 and 12 years of service; and, third, the Firefighters' Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; age 50 and 20 years of service; or, age 55 and 12 years of service. Complete plan provisions are included in the official plan documents.

CITY OF ZACHARY, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

NOTE M: OTHER POST-EMPLOYMENT BENEFITS, continued

Life insurance coverage in the flat amount of \$2,500 is provided to retirees (not dependents) and the blended rate (for active and retired combine) is approximately \$0.84 per \$1,000 of insurance. The employer pays 90% of the "cost" of the retiree life insurance, but it is based on the blended rate. Since GASB 45 requires the use of "unblended" rates, we have used the 94GAR mortality table described to "unblend" the rates so as to reproduce the composite blended rate overall as the rate structure to calculate the actuarial valuation results for life insurance. All of the assumptions used for the valuation of the medical benefits have been used except for the trend assumption; zero trend was used for life insurance.

Contribution Rates. Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained the official plan documents.

Fund Policy. Until 2008, the City of Zachary recognized the cost of providing post-employment medical and life benefits (City of Zachary's portion of the retiree medical and life benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In 2014, the City of Zachary's portion of health care and life insurance funding costs for retired employees totaled \$312,352.

Effective with July 1, 2008, the City of Zachary implemented Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions* (GASB 45). This amount was applied toward the Net OPEB Benefit Obligation shown in the following table.

Annual Required Contribution. City of Zachary's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level dollar, closed amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The actuarially computed ARC is as follows:

	<u>2014</u>
Normal Cost	\$ 476,090
30-year UAL amortization amount	766,773
	<hr/>
Annual required contribution (ARC)	\$ 1,242,863

Net Post-employment Benefit Obligation (Asset). The table below shows City of Zachary's Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal year ending June 30, 2014:

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE M: OTHER POST-EMPLOYMENT BENEFITS, continued

	<u>2014</u>
Beginning Net OPEB Obligation (Asset) 7/1/2013	\$ 4,674,545
Annual required contribution	1,242,863
Interest on Net OPEB Obligation (Asset)	186,982
ARC Adjustment	<u>(270,329)</u>
OPEB Cost	1,159,516
Contribution	-
Current year retiree premium	<u>(312,352)</u>
Change in Net OPEB Obligation	<u>847,164</u>
Ending Net OPEB Obligation (Asset) 6/30/2014	<u><u>\$ 5,521,709</u></u>

The following table shows the City of Zachary's annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post employment benefits (PEB) liability for the last year and this year:

Post Employment Benefit	Fiscal Year Ended	Annual OPEB Cost	Percentage Of Annual Cost Contributed	Net OPEB Obligation (Asset)
Medical/Life	June 30, 2014	\$1,159,516	26.94%	\$5,521,709
Medical/Life	June 30, 2013	\$1,126,645	25.67%	\$4,674,545

Funding Status and Funding Progress. In 2014, the City of Zachary made no contributions to its post employment benefits plan. The plan was not funded, has no assets, and hence has a funded ratio of zero. As of July 1, 2012, the most recent actuarial valuation, the Actuarial Accrued Liability (AAL) at the end of the year June 30, 2014 was \$13,789,400, which is defined as that portion, as determined by a particular actuarial cost method (the City of Zachary uses the Projected Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE M: OTHER POST-EMPLOYMENT BENEFITS, continued

	2014
Actuarial Accrued Liability	\$ 13,789,400
Actuarial Value of Plan Assets	-
Unfunded Act. Accrued Liability (UAAL)	13,789,400
Funded Ratio (Act. Val. Assets/AAL)	0%
Covered Payroll (active plan members)	6,343,279
UAAL as a percentage of covered payroll	217.39%

Actuarial Methods and Assumptions. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of services by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the City of Zachary and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the City of Zachary and its plan members to that point. The projections of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between City of Zachary and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

Actuarial Cost Method. The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

Actuarial Value of Plan Assets. There are not any assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Statement, will be used.

Turnover Rate. An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce an annual turnover rate of approximately 10%.

CITY OF ZACHARY, LOUISIANA NOTES TO FINANCIAL STATEMENTS

NOTE M: OTHER POST-EMPLOYMENT BENEFITS, continued

Post employment Benefit Plan Eligibility Requirements. Based on past experience, it has been assumed that entitlement to benefits will commence three years after retirement eligibility (D.R.O.P. entry except that police and fire personnel were assumed to wait until age 60 and 10 years of service instead of age 55 and 12 years of service. Medical benefits are provided to employees upon actual retirement. Entitlement to benefits continue through Medicare to death.

Investment Return Assumption (Discount Rate). GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation.

Health Care Cost Trend Rate. The expected rate of increase in medical cost is based on a graded schedule beginning with 8% annually, down to an ultimate annual rate of 5% for ten years out and later.

Mortality Rate. The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rates, was used. This is the published which was designed to be used in determining the value of accrued benefits in defined benefit pension plans.

Method of Determining Value of Benefits. The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer pays a percentage of the cost of the medical insurance for the retiree and dependents. The percentage is 90% of the total premium for employee only coverage and 75% of the total premium for family coverage. The rates to which these percentages apply are blended rates between active and retired. We have therefore estimated the "unblended" rates to be 130% of the blended rates for pre-Medicare eligibility and 80% of the blended rates for post-Medicare eligibility coverage. The Dental plan was included in the medical portion of this valuation but zero trend was used for the dental of the premium.

Inflation Rate. Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.50% annually.

Projected Salary Increases. This assumption is not applicable since neither the benefit structure nor valuation methodology involves salary.

Post-retirement Benefit Increases. The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE M: OTHER POST-EMPLOYMENT BENEFITS, continued

Below is a summary of OPEB cost and contributions for the year last three fiscal calendar years.

	OPEB Costs and Contributions		
	FY 2012	FY 2013	FY 2014
OPEB Cost	\$ 1,349,901	\$ 1,126,645	\$ 1,159,516
Contribution	-	-	-
Retiree premium	316,232	289,215	312,352
Total contribution and premium	316,232	289,215	312,352
Change in net OPEB obligation	<u>\$ 1,033,669</u>	<u>\$ 837,430</u>	<u>\$ 847,164</u>
% of contribution to cost	0.00%	0.00%	0.00%
% of contribution plus premium to cost	23.43%	25.67%	26.94%

NOTE N: OPERATING TRANSFERS

Operating transfers in and out are listed by fund for the fiscal year ended June 30, 2014 as follows:

	Operating Transfers	
	In	Out
General Fund:		
Component Unit - City Court	\$ 70,000	\$ -
Debt Service Fund	681,444	
Special Revenue Fund		681,444
Component Unit - City Court:		
General Fund	-	70,000
Totals	<u>\$ 751,444</u>	<u>\$ 751,444</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. These transfers were eliminated in preparation of the Government-Wide Financial Statements.

NOTE O: RELATED PARTY TRANSACTIONS

The City of Zachary incurs expenditures on behalf of the City Court of Zachary. These expenditures include compensation to City Court personnel along with the related pension cost and employee benefits. During the year ended June 30, 2014, the City paid \$381,443 on behalf of City Court.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE O: RELATED PARTY TRANSACTIONS, continued

City Court makes distributions to the City of Zachary for collection of various fees and fines. In addition, City Court makes an annual payment to the general fund of the City. During the year ended June 30, 2014, City Court paid \$70,000 to the City of Zachary.

NOTE P: COMPONENT UNIT – DISTRICT INDIGENT DEFENDER FUND – GOVERNMENTAL FUND REVENUES

For the year ended June 30, 2014, the major sources of governmental fund revenues were as follows:

Local Government:	
Statutory fines, forfeitures, fees, court costs, and other	<u>\$ 662,670</u>

NOTE Q: CLAIMS AND JUDGEMENTS

Various claims and lawsuits are pending against the City. Although the ultimate outcome of these lawsuits is not presently determinable, the resolution of these matters is not expected to have a material adverse effect on the financial position of the City.

The City of Zachary recently underwent an audit of vehicle sales taxes collected and remitted to the various governing and taxing authorities within East Baton Rouge Parish by the State Department of Public Safety from 1996 to 2005. The audit revealed that \$635,026 was incorrectly remitted to the city, as determined by an independent identification of the jurisdictional assignment of the vehicle purchasers' residences. The City has accepted the findings of the audit and has agreed, in principal, to pay \$635,026 to the municipalities that were the rightful recipients of the taxes. The payment is to be made in semi-annual installments of \$52,919 over a period of six years. The balance due at June 30, 2014 is \$0.

NOTE R: LITIGATION

There are nine pending lawsuits in which the City of Zachary is currently involved. The City Attorney states that there is no significant liability on behalf of the City. The estimated exposure ranges from \$5,000 to \$50,000 per suit. No adjustments were made to the June 30, 2014 financial statements for the above lawsuits.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE S: NEW ACCOUNTING PRONOUNCEMENTS

GASB 65, *Items Previously Reported as Assets and Liabilities*, will be effective for the City beginning with its year ending June 30, 2014. This statement required certain items that are currently reported as assets and liabilities to be reclassified as deferred outflows of resources, deferred inflows of resources, or current-period outflows and inflows.

GASB 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, will be effective for the City beginning with its year ending June 30, 2015. This statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. This statement will result in changes to the following components of the City's financial statements: the statement of net position, pension notes, and required supplementary information.

NOTE T: SUBSEQUENT EVENTS

These financial statements considered subsequent events through December 4, 2014, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ZACHARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Taxes	\$ 7,748,500	\$ 8,000,000	\$ 8,126,485	\$ 126,485
License and permits	578,500	510,000	517,114	7,114
Intergovernmental	700,000	750,000	1,147,745	397,745
Charges for services	1,272,500	1,322,500	1,318,827	(3,673)
Commissions	1,260,000	1,325,000	1,402,720	77,720
Fines and forfeits	225,000	190,000	187,681	(2,319)
Proceeds from loan		-	-	-
Miscellaneous	560,500	860,500	1,058,829	198,329
TOTAL REVENUES	<u>12,345,000</u>	<u>12,958,000</u>	<u>13,759,401</u>	<u>801,401</u>
EXPENDITURES				
General Government	3,145,750	4,701,750	3,927,330	774,420
Court	392,750	392,750	381,443	11,307
Public Safety -				
Police	4,444,000	4,214,000	3,927,927	286,073
Fire	2,503,500	3,168,500	2,488,969	679,531
Streets	739,500	700,000	614,738	85,262
Sanitation	1,050,000	1,080,000	1,032,332	47,668
TOTAL EXPENDITURES	<u>12,275,500</u>	<u>14,257,000</u>	<u>12,372,739</u>	<u>1,884,261</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	69,500	(1,299,000)	1,386,662	2,685,662
OTHER FINANCING SOURCES (USES)				
Transfer from city court	80,000	70,000	70,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>80,000</u>	<u>70,000</u>	<u>70,000</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	149,500	(1,229,000)	1,456,662	2,685,662
FUND BALANCES - BEGINNING	<u>6,730,674</u>	<u>6,730,674</u>	<u>6,730,674</u>	<u>-</u>
FUND BALANCES - ENDING	<u><u>\$ 6,880,174</u></u>	<u><u>\$ 5,501,674</u></u>	<u><u>\$ 8,187,336</u></u>	<u><u>\$ 2,685,662</u></u>

CITY OF ZACHARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Taxes - sales tax	\$ 1,300,000	\$ 1,350,000	\$ 1,027,127	\$ (322,873)
Intergovernmental income	-	-	-	-
Other - interest	10,000	3,000	1,187	(1,813)
TOTAL REVENUES	1,310,000	1,353,000	1,028,314	(324,686)
EXPENDITURES				
Sales tax collection fee	15,000	15,000	13,037	1,963
Interest expense	-	300,000	-	300,000
Bond issue costs and other	1,000	-	1,262	(1,262)
Capital outlay- streets	5,000,000	2,170,000	4,067,391	(1,897,391)
TOTAL EXPENDITURES	5,016,000	2,485,000	4,081,690	(1,596,690)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,706,000)	(1,132,000)	(3,053,376)	(1,921,376)
OTHER FINANCING SOURCES(USES)				
Loan proceeds	-	-	10,000,000	10,000,000
Transfers from (to) other funds	-	-	(681,444)	(681,444)
TOTAL OTHER FINANCING SOURCES(USES)	-	-	9,318,556	9,318,556
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(3,706,000)	(1,132,000)	6,265,180	7,397,180
FUND BALANCES - BEGINNING	4,027,494	4,027,494	4,027,494	-
FUND BALANCES - ENDING	\$ 321,494	\$ 2,895,494	\$ 10,292,674	\$ 7,397,180

**NON-MAJOR FUND
STATEMENTS**

**CITY OF ZACHARY, LOUISIANA
COMBINING FUND BALANCE SHEET- NON MAJOR FUNDS
JUNE 30, 2014**

	<u>Debt Service Fund</u>
ASSETS	
Cash	\$ 826,115
TOTAL ASSETS	<u><u>\$ 826,115</u></u>
 LIABILITIES AND FUND BALANCE	
Fund balance - restricted	\$ 826,115
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 826,115</u></u>

CITY OF ZACHARY
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 NON-MAJOR FUND
 DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Public Street Bonds</u>
REVENUES	
Taxes - sales tax	\$ 435,186
TOTAL REVENUES	<u>435,186</u>
EXPENDITURES	
Principal	-
Interest expense	231,181
Bond issue costs and other	<u>59,334</u>
TOTAL EXPENDITURES	<u>290,515</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>144,671</u>
OTHER FINANCING SOURCES (USES)	
Transfers from (to) other funds	<u>681,444</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>826,115</u>
FUND BALANCES - BEGINNING	<u>-</u>
FUND BALANCES - ENDING	<u><u>\$ 826,115</u></u>

SUPPLEMENTARY INFORMATION

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

SCHEDULE 1

	Final Budget	Actual	Variance - Favorable (Unfavorable)
Taxes:			
Ad valorem - industry	\$ 80,000	\$ 82,010	\$ 2,010
Ad valorem - other	350,000	353,039	3,039
Beer tax	18,500	18,333	(167)
Sales tax	7,551,500	7,673,103	121,603
Total taxes	8,000,000	8,126,485	126,485
Licenses and permits:			
Occupational licenses	315,000	315,213	213
Building permits	85,500	89,576	4,076
Electrical contractor license	8,000	9,225	1,225
Electrical permits	26,000	26,904	904
Other contractor license	12,500	12,325	(175)
Other permits	63,000	63,871	871
Total licenses and permits	510,000	517,114	7,114
Intergovernmental:			
911 operations	245,000	247,487	2,487
City - parish street maintenance	87,000	87,877	877
Grant - police department	13,000	10,328	(2,672)
Grant - other	50,000	435,713	385,713
Transportation fund	25,000	25,510	510
Fire District #1	320,000	330,830	10,830
Grant - fire department	10,000	10,000	-
Total intergovernmental	750,000	1,147,745	397,745
Charges for services:			
Park revenue	88,000	86,128	(1,872)
Inspection fees	9,500	9,902	402
Historical Village revenue	-	-	-
Public works fees	150,000	148,211	(1,789)
Refuse collection charges	1,060,000	1,061,879	1,879
Refuse billing fees	15,000	12,707	(2,293)
Total charges for services	1,322,500	1,318,827	(3,673)
Commissions:			
Cable franchise fee	250,000	268,465	18,465
Sale of electricity	780,000	838,320	58,320
Sale of insurance	295,000	295,935	935
Total commissions	1,325,000	1,402,720	77,720

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

SCHEDULE 1

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Fines and forfeits	190,000	187,681	(2,319)
Miscellaneous:			
Interest income	250	47	(203)
City court	70,000	70,000	-
Marshal's fund	60,000	50,649	(9,351)
Sale of equipment	30,000	28,000	(2,000)
Park revenue	155,000	155,112	112
Rental income	12,000	12,000	-
Photo speed enforcement	180,000	182,515	2,515
Fire	62,000	61,865	(135)
Police	290,250	347,018	56,768
Proceeds	-	-	-
All other	71,000	221,623	150,623
Total miscellaneous	930,500	1,128,829	198,329

GENERAL GOVERNMENT:

Finance:

Salaries - administrative	399,000	362,851	36,149
Sales tax collection fee	70,250	70,019	231
Parish tax repayment	106,000	105,838	162
Office expense	27,200	24,149	3,051
Electricity	17,500	14,201	3,299
Supplies and maintenance	27,500	26,227	1,273
Insurance	285,000	267,375	17,625
Payroll taxes:			-
- Medicare	5,000	4,228	772
- F.I.C.A. and unemployment tax	8,500	4,415	4,085
Worker's compensation insurance	750	82	668
Capital outlays	200,000	185,989	14,011
Hurricane clean up			-
Telephone	11,000	10,841	159
Uniforms	2,000	680	1,320
Contract services	60,000	58,360	1,640
Computer expense	75,000	74,258	742
Phone allowance	3,500	2,940	560
Assessment roll fee	7,500	6,544	956
Code book expense	500	-	500
Official journal	11,000	10,665	335
Dues, donations, and subscriptions	17,500	15,235	2,265
Miscellaneous	23,250	22,453	797
Election expense	500	-	500
Travel	5,000	3848	1,152

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

SCHEDULE 1

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Schools and seminars	18,500	16,346	2,154
Retirement	72,000	69,607	2,393
Drug testing	1,250	1,137	113
Attorney fees	1,000	-	1,000
Audit	22,500	18,056	4,444
Legal fees	105,000	97,362	7,638
Insurance consultant	6,000	5,800	200
Bank fees	2,500	634	1,866
Coke machine	1,000	140	860
Health insurance	50,000	48,299	1,701
Attorney's health insurance	-	-	-
Total	<u>1,643,200</u>	<u>1,528,579</u>	<u>114,621</u>
Beautification:			
Salary	57,500	54,112	3,388
FICA and medicare	1,750	739	1,011
Health insurance	17,500	13,396	4,104
Worker's compensation insurance	1,000	674	326
Miscellaneous	1,000	140	860
Vehicle expense	4,000	2,348	1,652
Beautification retirement	12,500	12,247	253
Beautification supplies	15,000	13,389	1,611
Total	<u>110,250</u>	<u>97,045</u>	<u>13,205</u>
Public Relations:			
Animal control fees	65,000	63,730	1,270
Mayor's prayer breakfast	6,000	5,673	327
Community center	22,500	15,333	7,167
Economic development	175,750	175,571	179
Christmas expense	15,000	14,601	399
Senior citizen center	20,750	20,697	53
Public Relations expense	21,000	20,637	363
Food pantry	25,500	24,449	1,051
Total	<u>351,500</u>	<u>340,691</u>	<u>10,809</u>
Mayor:			
Mayor's salary	95,000	90,459	4,541
Employee salary	51,000	48,894	2,106
FICA and medicare	6,000	1,980	4,020
Telephone	3,750	3,574	176
Phone allowance	-	-	-
Vehicle expenses	3,000	2,772	228
Vehicle maintenance	1,500	1,447	53

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

SCHEDULE 1

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Miscellaneous	4,000	3,508	492
Retirement	32,000	31,703	297
LMA convention	1,000	720	280
Travel	7,500	3,404	4,096
Health insurance	26,000	25,707	293
Worker's compensation insurance	500	191	309
Total	<u>231,250</u>	<u>214,359</u>	<u>16,891</u>
Commissions and Boards:			
Salaries	69,300	68,754	546
FICA and medicare	2,000	1,569	431
Worker's compensation insurance	500	307	193
Retirement	12,000	11,953	47
Health insurance	11,500	11,432	68
Legal	9,500	9,169	331
Supplies	1,500	237	1,263
Miscellaneous	5,250	4,182	1,068
Total	<u>111,550</u>	<u>107,603</u>	<u>3,947</u>
Council:			
Salary	20,000	19,096	904
Miscellaneous	2,750	2,344	406
Council's salary	53,000	52,314	686
FICA and medicare	5,000	4,663	337
Travel	250	-	250
LMA convention	6,250	6,134	116
Retirement	2,500	2,380	120
Health insurance	26,000	25,921	79
Worker's compensation insurance	500	94	406
Total	<u>116,250</u>	<u>112,946</u>	<u>3,304</u>
Recreation:			
General recreation expenses	194,000	192,361	1,639
Office supplies	1,000	996	4
Salaries	211,250	208,608	2,642
FICA and medicare	4,900	4,464	436
Health insurance	43,500	43,250	250
Worker's compensation insurance	1,000	950	50
Computer expense	1,000	699	301
Travel	1,500	796	704
Vehicle repairs and maintenance	7,500	6,123	1,377
Equipment maintenance	6,000	5,582	418

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

SCHEDULE 1

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Retirement	43,000	42,919	81
Telephone	7,500	5,111	2,389
Utilities	34,500	33,937	563
Professional services Legal	500	343	157
Capital outlays	1,170,000	616,958	553,042
Ground maintenance and building maintenance	13,000	12,779	221
Contract services	40,000	39,892	108
Supplies	9,250	9,232	18
Drug testing	500	435	65
Miscellaneous	10,100	9,889	211
Total	<u>1,800,000</u>	<u>1,235,324</u>	<u>564,676</u>
Inspection:			
Office	2,750	2,538	212
Salary	114,000	110,676	3,324
FICA and medicare	2,500	1,738	762
Retirement	35,000	22,013	12,987
Health insurance	41,000	36,838	4,162
Worker's compensation insurance	750	322	428
Vehicle fuel	3,000	1,962	1,038
Vehicle maintenance	1,500	1,286	214
Uniforms	500	275	225
Contracts/services	1,000	-	1,000
Telephone	4,000	2,692	1,308
Seminar	6,750	2,194	4,556
Dues and subscriptions	500	-	500
Miscellaneous	5,000	1,501	3,499
Capital outlay	-	-	-
Total	<u>218,250</u>	<u>184,035</u>	<u>34,215</u>
Historical village:			
Salary	55,500	49,069	6,431
FICA and medicare	4,500	3,754	746
Worker's compensation insurance	2,000	909	1,091
Exhibits	2,750	2,556	194
Annison house	-	-	-
Utilities	20,500	20,313	187
Miscellaneous	6,000	4,697	1,303
Repairs and maintenance	22,000	21,715	285
Schools and seminars	1,000	-	1,000
Capital outlay	-	-	-
Computer	-	48	(48)
Telephone	1,500	771	729

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

SCHEDULE 1

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Other Contractual services	750	-	750
Office	3,000	2,916	84
Total	<u>119,500</u>	<u>106,748</u>	<u>12,752</u>
 Total General Government	 <u>4,701,750</u>	 <u>3,927,330</u>	 <u>774,420</u>
 COURT:			
Clerk of Court:			
Court salaries	149,200	146,738	2,462
FICA and medicare	3,750	3,307	443
Worker's compensation insurance	250	35	215
Court retirement	28,250	28,155	95
Health insurance	31,000	30,807	193
Miscellaneous	15,500	12,787	2,713
Court expense	500	-	500
Total	<u>228,450</u>	<u>221,829</u>	<u>6,621</u>
 Judge:			-
Judge's salary	9,000	8,882	118
Medicare	250	83	167
Worker's compensation insurance	250	4	246
Retirement	3,250	3,224	26
Health Insurance	26,000	25,931	69
Total	<u>38,750</u>	<u>38,124</u>	<u>626</u>
 Probation:			
Salary	12,000	11,463	537
FICA and medicare	250	131	119
Worker's compensation insurance	250	57	193
Health insurance	9,500	8,532	968
Total	<u>22,000</u>	<u>20,183</u>	<u>1,817</u>
 Prosecutor:			
Prosecutor salary	43,000	42,900	100
FICA and medicare	3,100	3,042	58
Worker's compensation insurance	100	8	92
Health insurance	27,000	26,801	199
Miscellaneous	4,250	4,195	55
Total	<u>77,450</u>	<u>76,946</u>	<u>504</u>
 Marshall:			
Salary	20,000	19,200	800

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

SCHEDULE 1

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
FICA and medicare	1,850	1,468	382
Worker's compensation insurance	250	54	196
Miscellaneous	4,000	3,639	361
Total	26,100	24,361	1,739
 Total Court	 392,750	 381,443	 11,307
 PUBLIC SAFETY - POLICE:			
Salaries - police officers	2,275,500	2,209,141	66,359
Office expense	12,500	11,485	1,015
Chief's expense	3,000	2,879	121
Electricity	34,500	33,866	634
Vehicle expense	165,250	138,288	26,962
Supplies and maintenance	80,000	64,719	15,281
Uniforms	18,000	17,975	25
Telephone	47,000	46,626	374
Clothing allowance	3,000	2,600	400
Phone allowance	11,500	10,800	700
Reserve deputies	9,000	7,987	1,013
Miscellaneous	63,250	62,465	785
New hire test	6,000	5,307	693
Fica and Medicare	42,500	38,500	4,000
Retirement	675,000	635,028	39,972
Health insurance	340,000	293,119	46,881
Worker's compensation insurance	5,000	4,494	506
Contracts and services	35,000	33,665	1,335
Dues and subscriptions	3,500	3,307	193
D.A.R.E.	13,000	12,706	294
Drug testing	3,500	3,247	253
Computer expense	63,500	63,118	382
Travel and seminar	40,500	38,392	2,108
Professional services legal	164,000	93,360	70,640
Capital outlays	100,000	94,853	5,147
 Total public safety - police	 4,214,000	 3,927,927	 286,073
 PUBLIC SAFETY - FIRE:			
Salaries	1,503,500	1,489,971	13,529
Building repairs	-	-	-
Office expense	7,750	7,621	129
Electricity	36,500	36,426	74

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

SCHEDULE 1

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Vehicle expense	78,000	65,680	12,320
Supplies and maintenance	43,750	42,840	910
Dues and subscriptions	1,500	1,286	214
Uniforms	17,500	13,064	4,436
Protective gear	17,500	16,613	887
Telephone	10,000	9,806	194
Phone allowance	3,750	3,690	60
Miscellaneous	15,750	13,749	2,001
Retirement	325,000	321,640	3,360
Health insurance	185,000	179,106	5,894
Volunteer fireman	19,500	17,182	2,318
Computer expense	40,000	29,695	10,305
Contracts and services	35,500	35,311	189
Professional services legal	10,000	1,491	8,509
Training	33,500	28,909	4,591
Physicals	20,000	14,777	5,223
Drug testing	3,000	2,752	248
Communication contract	30,000	30,000	-
Fica and medicare	39,000	30,467	8,533
Worker's compensation insurance	7,500	7,264	236
Fire prevention	10,000	7,921	2,079
Capital outlay	675,000	81,708	593,292
Total public safety - fire	<u>3,168,500</u>	<u>2,488,969</u>	<u>679,531</u>
STREETS:			
Salaries	189,500	179,122	10,378
Office expense	1,500	1,413	87
Electricity	159,500	159,209	291
Vehicle expense	52,500	30,724	21,776
Supplies and maintenance	110,000	80,742	29,258
D.C.I. Expense	60,000	58,021	1,979
Grass cutting contract	20,000	17,650	2,350
Telephone	7,500	6,441	1,059
Fica and medicare	6,000	3,131	2,869
Miscellaneous	6,000	5,933	67
Uniforms	5,000	566	4,434
Retirement	30,000	27,043	2,957
Health insurance	32,750	27,116	5,634
Worker's compensation insurance	2,000	1,405	595
Contracts and services	16,000	15,682	318
Travel, schools and seminars	1,000	-	1,000
Drug testing	750	540	210
Total streets	<u>700,000</u>	<u>614,738</u>	<u>85,262</u>

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

SCHEDULE 1

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Sanitation:			
Landfill charges	5,000	-	5,000
Contracts and services	1,075,000	1,032,332	42,668
Total sanitation	<u>\$ 1,080,000</u>	<u>\$ 1,032,332</u>	<u>\$ 47,668</u>
 Total General Fund	 <u>\$ 14,257,000</u>	 <u>\$ 12,372,739</u>	 <u>\$ 1,884,261</u>

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2014

SCHEDULE 2

	<u>Actual</u>
Water department:	
Salaries	\$ 290,061
FICA and medicare	3,690
Worker's compensation insurance	976
Compensated absences	30,551
Electricity	113,816
Equipment maintenance	5,703
Vehicle maintenance	8,900
Vehicle fuel	28,660
Supplies	112,039
Telephone	8,589
Miscellaneous	6,450
Retirement	53,813
Uniforms	1,271
Health insurance	60,072
Schools and seminars	3,954
Water tower maintenance	29,608
Contracts/services	<u>231,017</u>
Total water department	<u>989,170</u>
Gas department:	
Salaries	\$ 259,537
FICA and medicare	3,657
Worker's compensation insurance	858
Compensated absences	27,639
Electricity	6,637
Vehicle fuel	26,591
Vehicle equipment maintenance	8,940
Equipment maintenance	8,586
Supplies	63,346
Purchase of gas	1,366,811
Telephone	6,556
Miscellaneous	5,590
Retirement	49,434
Uniforms	953
Health insurance	54,347
Schools and seminars	7,195
Contracts/services	<u>100,420</u>
Total gas department	<u>1,997,097</u>
Sewer department:	
Salaries	\$ 253,350
FICA and medicare	2,931
Worker's compensation insurance	858

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2014

SCHEDULE 2

	<u>Actual</u>
Compensated absences	33,688
Electricity	37,287
Equipment maintenance	7,037
Vehicle maintenance	6,273
Vehicle fuel	24,827
Supplies	60,190
Phone allowance	160
Telephone	6,507
Uniforms	689
Miscellaneous	2,573
Retirement	50,429
Health insurance	54,344
Contracts/services	326,056
Schools and seminars	61
Sewer rehab	-
Total sewer department	<u>867,260</u>

Mechanic:

Salaries	\$ 51,059
FICA and medicare	663
Worker's compensation insurance	133
Compensated absences	6,192
Electricity	10,791
Building maintenance	1,184
Vehicle maintenance	593
Vehicle fuel	675
Supplies	303
Telephone	2,016
Miscellaneous	1,196
Retirement	11,110
Health insurance	11,432
Contracts/services	1,923
Total sewer department	<u>99,270</u>

Warehouse

Salaries	\$ 80,766
FICA and medicare	1,144
Worker's compensation insurance	397
Compensated absences	4,334
Electricity	11,812
Building maintenance	3,523
Vehicle maintenance	284
Vehicle fuel	1,273

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2014

SCHEDULE 2

	<u>Actual</u>
Supplies	1,563
Telephone	2,678
Miscellaneous	2,005
Retirement	17,160
Health insurance	6,162
Schools and seminars	417
Total sewer department	<u>133,518</u>
 General and administrative:	
Salaries	\$ 236,256
FICA and medicare	4,048
Worker's compensation insurance	441
Compensated absences	12,855
Insurance	104,999
Retirement	44,767
Health insurance	27,605
Printing	58,309
Supplies	4,529
Bank fees	4,093
Computer expense	33,566
Professional services	105,975
Building maintenance	20,428
Miscellaneous	2,024
Inspection fees	45,900
Collection expense	325
Drug testing	3,162
Total general and administrative	<u>709,282</u>
 Depreciation	 <u>\$ 1,145,152</u>

**COMPONENT UNIT –
CITY COURT**

CITY OF ZACHARY, LOUISIANA SCHEDULE 3
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION - COMPONENT UNIT
CITY COURT
JUNE 30, 2014

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 141,310	\$ -	\$ 141,310
Capital assets, net of accumulated depreciation of \$192,307	<u>-</u>	<u>97,175</u>	<u>97,175</u>
Total Assets	<u>\$ 141,310</u>	<u>\$ 97,175</u>	<u>\$ 238,485</u>
<u>LIABILITIES</u>			
	<u>\$ -</u>	<u>\$ 64,000</u>	<u>\$ 64,000</u>
<u>FUND BALANCES/NET POSITION</u>			
Unassigned	<u>141,310</u>	<u>(141,310)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 141,310</u>	<u>(77,310)</u>	<u>64,000</u>
<u>NET POSITION</u>			
Net invested in capital assets	-	-	33,175
Unrestricted	<u>-</u>	<u>-</u>	<u>141,310</u>
Total Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 174,485</u>

CITY OF ZACHARY, LOUISIANA
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES - COMPONENT UNIT
 CITY COURT
 FOR THE YEAR ENDED JUNE 30, 2014

SCHEDULE 4

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<u>EXPENDITURES/EXPENSES</u>			
Judiciary:			
Personal services and benefits	\$ 111,541	\$ -	\$ 111,541
Travel and professional development	7,910	-	7,910
Operating services	146,843	-	146,843
Supplies	64,924	(34,187)	30,737
Intergovernmental (to City of Zachary)	238,331	-	238,331
Depreciation	-	39,876	39,876
Total Expenditures/Expenses	<u>569,549</u>	<u>5,689</u>	<u>575,238</u>
<u>PROGRAMS REVENUES AND COLLECTIONS</u>			
Civil Fees	-	-	-
Criminal Fees	662,670	-	662,670
Garnishments Collected	-	-	-
Garnishments Remitted	-	-	-
Total Program Revenues	<u>662,670</u>	<u>-</u>	<u>662,670</u>
Net Program Costs	<u>93,121</u>	<u>(5,689)</u>	<u>87,432</u>
<u>GENERAL REVENUES</u>			
Investment earnings	<u>-</u>	<u>-</u>	<u>-</u>
<u>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</u>	93,121	(5,689)	87,432
Transfers to General Fund	(70,000)	-	(70,000)
<u>FUND BALANCE/NET POSITION:</u>			
Beginning of the Year	<u>118,190</u>	<u>38,863</u>	<u>157,053</u>
End of the Year	<u>\$ 141,311</u>	<u>\$ 33,174</u>	<u>\$ 174,485</u>

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF COMPENSATION OF CITY OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2014

SCHEDULE 5

	<u>Gross Compensation during the year ended 6/30/14</u>
David Amrhein, Mayor	\$ 90,459
<u>Council Members (Term):</u>	
John Coghlan	10,463
Brandon Noel	10,463
Francis Nezianya	10,463
Tommy Womack	10,463
Daniel D. Wallis, Jr.	<u>10,463</u>
	<u>\$ 142,774</u>

CITY OF ZACHARY, LOUISIANA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2014

Program	CFDA#	Grant Period	Total Expenditures
United States Environmental Protection Agency Pass through LA DEQ, Capitalization Grants for Clean Water State Revolving Fund Loan # 221450-01	66.458	NA	* <u>1,052,679</u>
Total Environmental Protection Agency			<u>1,052,679</u>
United States Department of Housing and Urban Development Passed through Louisiana Recovery Unit for Community Development Block Grant	14.228	8/7/12-8/7/15	* <u>545,367</u>
Total U.S. Department of Housing and Urban Development			<u>545,367</u>
Total Expenditures of Federal Awards			<u>\$ 1,598,046</u>

* Major Program

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Zachary, Louisiana and is presented on the cash basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

Note 2. Clean Water State Revolving Fund Loans

This loan is partially reimbursed from the LA DEQ and partially from the U.S. EPA. Due to the fact that this loan is not 100% federal funds, subrecipients should not report expenditures until the audit year that reimbursement is made and confirmed that funds are federal.

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF INSURANCE IN FORCE
JUNE 30, 2014

SCHEDULE 7

<u>Name of Insurer</u>	<u>Expiration Date</u>	<u>Type of Coverage</u>	<u>Coverage Limits</u>
Princeton Excess	11/1/2014	General liability building	\$ 3,000,000
Princeton Excess	11/1/2014	Employee practices liability	\$ 3,000,000
Princeton Excess	11/1/2014	Auto liability	\$ 3,000,000
Princeton Excess	11/1/2014	Law Enforcement liability	\$ 3,000,000
Princeton Excess	11/1/2014	Public official	\$ 3,000,000
Southern Insurance (Republic Group)	11/1/2014	Crime	
		Employee theft	\$ 250,000
		Forgery/Alteration	\$ 250,000
		Money & Securities:	
		Inside premises	\$ 10,000
		Outside premises	\$ 5,000
		Computer Fraud	\$ 250,000
		Funds transfer fraud	\$ 250,000
Louisiana Workers Compensation Corp.	1/1/2014	Workers compensation	Statutory limits
Southern Insurance (Republic Group)	11/1/2014	Auto physical damage & scheduled autos	ACV

PERFORMANCE AND STATISTICAL DATA

**CITY OF ZACHARY, LOUISIANA
SCHEDULE OF UTILITY STATISTICS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

SCHEDULE 8

	<u>2014</u>		<u>2013</u>
Gas customer data are as follows:			
Gas sales	\$ 2,861,465	\$	2,302,203
Gas purchased	\$ 1,366,811	\$	863,352
MCF gas sold	261,196		218,919
Number of customers at year end	4,343		4,206
MCF gas purchased	288,197		224,427
MCF gas unaccounted for	27,001		5,508
Average monthly billing per customer	\$ 54.91	\$	45.61
Water customer data are as follows:			
Water sales	\$ 2,601,356	\$	2,286,022
Thousands of gallons of water sold	790,349		778,006
Number of customers at year end	7,368		7,315
Average monthly billing per customer	\$ 29.42	\$	26.04
Sewer customer data are as follows:			
Sewer sales	\$ 959,710	\$	808,740
Number of customers at year end	4,847		4,858
Average monthly billing per customer	\$ 16.50	\$	13.87

**OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

BAXLEY AND ASSOCIATES, LLC

P. O. Box 482
58225 Belleview Drive
Plaquemine, Louisiana 70764
Phone (225) 687-6630 Fax (225) 687-0365

Hugh F. Baxley, CPA/CGMA/CVA
Margaret A. Pritchard, CPA/CGMA

Staci H. Joffrion, CPA/CGMA

SCHEDULE 9

The Honorable Mayor David Amrhein
And Members of the Council
City of Zachary, Louisiana

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit (the City Court of Zachary), each major fund, and the aggregate remaining fund information of the City of Zachary, Louisiana as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Zachary, Louisiana's basic financial statements and have issued our report thereon dated December 4, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Zachary, Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, not for the purpose of expressing an opinion on the effectiveness of the City of Zachary, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Zachary, Louisiana's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention to those charged with governance.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS (continued)**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (2014-1 and 2014-3).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's and the Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2014-2 and 2014-4.

City of Zachary, Louisiana's Response to Findings

City of Zachary, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Zachary, Louisiana's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Baxley & Associates, LLC

Zachary, Louisiana
December 4, 2014

BAXLEY AND ASSOCIATES, LLC

P. O. Box 482
58225 Belleview Drive
Plaquemine, Louisiana 70764
Phone (225) 687-6630 Fax (225) 687-0365

Hugh F. Baxley, CPA/CGMA/CVA
Margaret A. Pritchard, CPA/CGMA

Staci H. Joffrion, CPA/CGMA

SCHEDULE 10

The Honorable Mayor David Amrhein
And Members of the Council
City of Zachary, Louisiana

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Report on Compliance for Each Major Federal Program

We have audited City of Zachary, Louisiana's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Zachary, Louisiana's major federal programs for the year ended June 30, 2014. City of Zachary, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Zachary, Louisiana's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Zachary, Louisiana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Zachary, Louisiana's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Zachary, Louisiana complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-5. Our opinion on each major federal program is not modified with respect to this matter.

City of Zachary, Louisiana's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Zachary, Louisiana's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of City of Zachary, Louisiana is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Zachary, Louisiana's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Zachary, Louisiana's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Baxley & Associates, LLC

Plaquemine, Louisiana
December 4, 2014

**CITY OF ZACHARY, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

A. SUMMARY OF AUDIT RESULTS*Financial Statements*

Type of auditor's report issued: *unqualified*

Internal control over financial reporting:

- Material weaknesses identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? X yes _____ no
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? X yes _____ none reported

Type of auditor's report issued on compliance for major programs: *unqualified*

Any audit findings disclosed that are not required to be reported in accordance with section 510(a) of Circular A-133? _____ yes X no

Identification of major programs:

CFDA Number(s):

Name of Federal Program or Cluster:

66.458

U.S. Environmental Protection Agency

14.228

U.S. Department of Housing and Urban Development

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

_____ yes X no

**CITY OF ZACHARY, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

B. FINDINGS

FINANCIAL STATEMENTS AUDIT FINDINGS

2014-1 ALLOCATION OF EXPENSES

Condition

It was noted on paid invoices that the allocation of amounts to various expense accounts were not shown.

Criteria

Amounts recorded in the expense account should agree to an invoice.

Effect

The distribution amount recorded in an expense account did not agree to the invoice total due to the fact that the invoice was allocated to several expense accounts.

Recommendation

Distribution of invoice totals to multiple accounts should be recorded on the invoice.

Management's Response

Often invoices will be received that relate to multiple departments. These invoices are distributed to various departments based on their percentage of the invoice. Our software system does not allow invoices to be paid unless distributed amount equals the total invoice amount. The software system is confusing in how it reports these distributions. Efforts will be made to accurately convey the distributions.

2014-2 BUDGET

Condition

In a Special Revenue Fund, budgeted revenues exceeded the actual revenues by more than 24% and actual expenditures exceeded budgeted expenditures by more than 65%. This is a repeat finding.

Criteria

The actual expenditures in any of the funds should not exceed the estimated budgeted expenditures by more than 5 percent nor should the budgeted revenue exceed the actual revenues by more than 5 percent.

Effect

The program did not function as originally intended.

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Recommendation

Continuous efforts should be made by management to monitor revenue and expenditures in relation to the budget. Amendments should be made as they become necessary.

Management's Response

Every effort will be made by management to more accurately amend the budget to reflect the final revenues and expenditures as of year-end. This is the result of dealing with multiple contractors. They need to provide an accurate amount of work completed by year's end.

2013-3 PROPER CLASSIFICATION

Condition

During the performance of revenue testing, it was found that the amount of actual building permits paid to the City of Zachary did not agree to the amount recorded in the general ledger. We also noted mispostings in revenue accounts and amounts recorded in the incorrect fund.

Criteria

Revenue should be properly classified in the correct account and in the correct fund.

Effect

Revenues were not classified in the proper accounts.

Recommendation

Monthly and annual financial statements should be reviewed by management for proper classification. Reclassification adjustments should be made as deemed necessary.

Management's Response

Management began working with the software provider after having this finding in last year's statement. Management is able to trace permits to the general ledger but there is still no way to accurately have a report that reflects the revenues to permits. Management will continue to work with the software company to correct this issue.

2014-4 PROPER PERIOD RECORDING

Condition

Two checks totaling \$641,411 from the bond construction bank account dated in July 2014 were recorded in June 2014. Due to the nature of this loan, only the proceeds received by City of Zachary at June 30, 2014 are reported on the SEFA. These two disbursements were not reimbursed prior to June 30, 2014, and are not included on the SEFA. However, they are recorded in Bonds Payable and Accounts Receivable – Other at June 30, 2014.

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Criteria

Checks should be recorded in the general ledger as of the date of the check.

Effect

Cash was understated.

Recommendation

Management should review bank reconciliations and detailed general ledger reports to ensure that checks are recorded in the proper period.

Management's Response

Management will correctly reflect the accrual method by reporting checks in the proper period and not in the period issued.

FEDERAL PROGRAM FINDINGS

2014-5 PROPER PERIOD RECORDING

Condition

Two checks totaling \$641,411 from the bond construction bank account dated in July 2014 were recorded in June 2014. Due to the nature of this loan, only the proceeds received by City of Zachary at June 30, 2014 are reported on the SEFA. These two disbursements were not reimbursed prior to June 30, 2014, and are not included on the SEFA. However, they are recorded in Bonds Payable and Accounts Receivable – Other at June 30, 2014.

Criteria

Checks should be recorded in the general ledger as of the date of the check..

Effect

Cash was understated.

Recommendation

Management should review bank reconciliations and detailed general ledger reports to ensure that checks are recorded in the proper period.

Management's Response

Management will correctly reflect the accrual method by reporting checks in the proper period and not in the period issued.

**CITY OF ZACHARY, LOUISIANA
SCHEDULE OF PRIOR FINDINGS & QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

2013-1 UNRECORDED TRANSACTIONS**Condition**

In performing audit procedures on the General Fund, it was noted that a Cash Account – Marshall's Fund and related transactions were not recorded in the general ledger. This bank account was transferred to the General Fund from City Court effective 1-1-13.

Recommendation

Management should review monthly and year-end financial statements for accuracy and completeness.

Current Status

This finding was corrected in the current year.

2013-2 BUDGET**Condition**

In a Special Revenue Fund, budgeted revenues exceeded the actual revenues by more than 38%.

Recommendation

Continuous efforts should be made by management to monitor revenue and expenditures in relation to the budget. Amendments should be made as they become necessary.

Current Status

The condition still exists in the current year.

2013-3 PROPER REVENUE CLASSIFICATION**Condition**

During the performance of revenue testing, it was found that the amount of actual permits paid to the City of Zachary was less than the amount recorded in the general ledger.

Recommendation

Monthly and annual financial statements should be reviewed by management for proper classification. Reclassification adjustments should be made as deemed necessary.

Current Status

This condition still exists in the current year.

**CITY OF ZACHARY, LOUISIANA
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

2013-4 BUSINESS PURPOSE OF EXPENSES

Condition

During expense testing, it was found that the business purpose of meals/travel was not clearly stated on the supporting documentation.

Recommendation

The business purpose should be stated, along with the names of those employees participating, on the supporting documentation. The expenses should not be approved for payment unless the business purpose is clearly stated.

Current Status

This finding was corrected in the current year.